

## NEWS SUMMARY

### GENERAL

## Iraq seizes Iran land

Iraq confirmed that it had seized the Iranian oil-producing centre near the Gulf. Iran Press reports, quoting the military command, suggest that Iraqi forces have also occupied territory in Kermanshah and Ilam provinces.

Meanwhile, no firm date is set for the start of a debate by Iran's Majlis (Parliament) on the fate of the U.S. hostages. The Majlis decided to discuss tomorrow a report by the foreign affairs commission recommending that the issue be considered in open session. **Back Page**

**Polish reaction**  
The first police intimidation of workers since Poland won the right to set up independent trade unions was reported in Kielce last week. State radio will broadcast Roman Catholic Mass weekly from this Sunday but journalists say censorship is as strict as ever.

**AUEW decision**  
The future of three major changes to the Labour Party's constitution hangs in the balance after the AUEW decided to support Opposition leader James Callaghan against them. **Back Page**

**Air fares cut**  
BA and Lufthansa agreed to cut air fares between UK and W. Germany. B. Cal. awaits official reaction to its plans for cheaper Continental fares. **Page 4**

**EEC meeting**  
Common Market Ministers meet in Brussels today to discuss the Turkish bid, Polish unrest and prospects for a W. European Middle East initiative. **Page 2**

**Boost for Carter**  
Stronger public confidence about the U.S. economy has helped President Carter draw level with Ronald Reagan in a second national opinion poll in the Presidential Election preliminaries. **Page 2**

**Canada decision**  
Canada's Premier Pierre Trudeau and his Cabinet this week decide whether to turn the country's constitution into a Canadian document unilaterally. **Page 2**

**Polishing soccer**  
Gwyn Roberts, MP, will ask the Home Secretary to introduce legislation to compel football clubs to pay the full costs of police protection at matches.

**Bridlington battle**  
Five people were in hospital yesterday after a Bridlington rioting covered from Saturday's two hours of fighting between 400 mods, rockers and skinheads.

**NF marches**  
Police made 28 arrests during a National Front march through an immigrant area of Preston, Lancs., which was opposed by Anti-Nazi League members.

**Briefly**  
Brazilian Nelson Piquet in a Brahmam won the Italian Formula One Grand Prix at Imola.  
Two crofters whose sighting led to Hercules the TV bear's recapture on Saturday share a £1,000 reward.

### BUSINESS

## OPEC pledge on oil prices

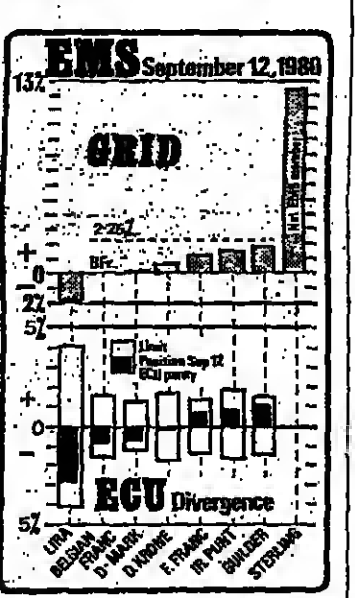
● OPEC Ministers, meeting in Vienna to consider a long-term oil price strategy, stressed that there would be no immediate general rise in prices. **Back Page; Feature, Page 21**

● THIRD WORLD countries have made progress in their efforts to phase out flags of convenience. **Back Page**

● SANTA FE Industries and Southern Pacific, western U.S. railway rivals, have abandoned plans for a \$1.2bn (£496.9m) merger. **Page 28**

● INTEREST in financial markets tended to centre around sterling and gold last week, leaving the European Monetary System unchanged. The Dutch guilder remained the strongest currency, followed by the Irish punt and the French franc. Denmark's krone was steady around the middle of the system and the D-mark was slightly firmer than Belgium's franc. The Italian lira was generally weak, remaining at the bottom of the system.

Sterling, the only Common Market currency outside the EMS, fell on fears of lower London interest rates, but recovered when Minimum Lending Rate was unchanged. Gold rose sharply on news of the military coup in Turkey and ahead of today's OPEC meeting in Vienna.



The charts show the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2% per cent. The lower chart gives each currency's divergence from the EMS central rate against the European Currency Unit (ECU), itself a basket of European currencies.

● YUGOSLAVIA is expected to try to obtain a major Eurocredit for its National Bank at this month's IMF meeting. **Page 25**

● CAR COMPONENTS industry is to be investigated by the Monopolies Commission. **Page 6**

● ATTEMPT to curb gifts offered to buyers in larger companies and local authorities has been started by the Institute of Purchasing and Supply. **Page 4**

● BENDIS president resigned as a top management reorganisation of the U.S. company was announced. **Page 28**

● JOHN FOLKES HEFO, which operates an open-die forge at Kidderminster, is likely to approach British Steel soon for its Sheffield forging interests. **Back Page**

● JOURNALISTS on London weekly newspapers started an official strike over a weighting allowance. **Page 6**

### LABOUR

● BRITISH STEEL is having talks with unions on a further reduction of 1,000 in the workforce at Corby. **Page 4**

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## Oil states transfer £1.2bn in gold from Switzerland

BY DAVID MARSH

IRAQ and three other Middle Eastern oil states have transferred about 145 tonnes of gold worth £1.2bn from Switzerland this year, according to Swiss customs statistics.

The figures provide one of the first definite indications of the rapidity with which oil exporting countries are building up stocks of gold as a major investment for their rising payments surpluses.

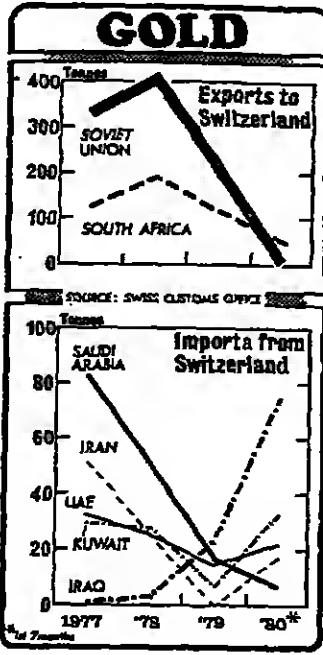
Movements of gold around the world are traditionally among the best-kept international financial secrets. Increased flows to the Middle East have been accompanied by a sizeable drop in bullion supplies to the other main international trading centre in London.

South Africa and the Soviet Union, the world's leading gold producers, have substantially reduced their direct sales to Switzerland, which is normally both countries' main sales outlet to the West.

According to the Swiss figures the last Soviet delivery to Zurich was made in January.

There have been increased sales from the rest of the Eastern bloc, with Bulgaria making unusually large deliveries in recent months.

South Africa, which is known to be withholding some gold



production to help boost prices has reduced its direct deliveries to Switzerland by about a quarter, compared with the 1979 average. Sizeable amounts of gold have, however, reached Zurich via London.

The growing imbalance

between supply and demand on the world's bullion market has been the principal factor behind the steadily increasing gold price. Gold closed at a seven-month high of \$687.50 an ounce in London on Friday.

Bullion dealers ascribe part of its \$55 gain so far this month to increased demand from the Middle East after the summer holiday lull.

In the first seven months of this year Iraq transferred about 74 tonnes of gold worth £840m from Switzerland, the figures show. This was well up from the 23 tonnes moved in Baghdad in the whole of 1979 and amounted to about 20 per cent of Swiss gold exports so far this year.

Kuwait, the United Arab Emirates and Iran imported a combined 71 tonnes worth £600m, sharply higher than the 22 tonnes they moved last year.

Saudi Arabia's gold imports were well down at 8 tonnes compared with the average 50 tonnes a year imported in the past three years.

The imports figures show the movements of newly purchased gold and of previously bought gold stocks which the owners

Continued on Back Page

Editorial comment, Page 20

Money Markets, Page 25

## More pressure on Cabinet for economic policy change

BY PETER RIDDELL AND RICHARD EVANS

CONCERTED PRESSURE from both wings of the Conservative Party and industry, as well as the trade unions, for an early change in economic strategy will face the Cabinet when it meets for the first time in six weeks on Thursday.

Treasury ministers share the view of City financial markets that the trend of interest rates is now downwards, though no decision has yet been taken on when or by how much Minimum Lending Rate will be reduced.

What seems certain, however, is that if there is no meaningful reduction in interest rates before the Conservative Party conference in Brighton, from October 7 to 10, there will be growing disagreement within the Cabinet over how much longer present policies can be maintained.

So far the powerful group of sceptics within the Cabinet has remained publicly loyal to the Treasury, but some ministers are increasingly doubtful over the success of monetary policy and the uneven impact the squeeze is having on industry.

Doubtful

The timing of the MLR decision will be determined by the trend of money market interest rates and by whether there are signs of a slackening in the demand for credit after the recent rapid growth. The official preference is still to wait at least until the September money figures are available early next month, just before the Tories meet.

Mr. John Biffen, Chief Secretary to the Treasury, commenting yesterday on reports that MLR would be cut by 2 per cent

before the Brighton conference, said it was "extraordinary" speculation. In his view it would be appalling for a government's central policies to be adjusted or trimmed for extraneous political, rather than economic, factors.

His message, echoing Mrs. Thatcher's statement last week, was that the Government would stick to its guns and not be diverted by criticism. "The Government will not put at risk its overall strategy by bringing down MLR too soon," he declared on BBC Radio's World This Weekend programme.

Significantly, however, money market interest rates have fallen sharply in the last two weeks. Three-month interbank rate—a key influence on the cost of part of the clearers' deposits—has dropped by almost one percentage point to just over 15 per cent.

The Treasury bill rate on Friday was consistent with an MLR of 15 per cent, against the present 16 per cent. This could bring forward a cut.

There are increasing signs that the Government will act in anticipation of a slowdown in the rate of growth of sterling M3, the broadly defined money supply. References are now being made, for example, to the moderation already apparent in M1, the narrowly defined money supply, and to the rise in real interest rates following the slowdown in the inflation rate.

The Government has, however, been forced to be cautious so far because of the 8 per cent jump in the money supply in July and August. Some of this can be explained away by reference to the unwinding of past distortions. But, after allowing

for all special factors, the underlying rate of monetary growth is still probably well above the official target range.

There is no question of any change in the targets of the medium-term financial strategy, as set out last March, though whether they can be achieved a growing number of City economists doubt.

Proposals

Recent monetary problems have, however, given a fresh impetus to quite separate discussions about whether techniques of short-term monetary control ought to be changed. Consultations had been meandering along with few signs of official enthusiasm since the government's consultative Green Paper was published in March. But now economic ministers have become more interested in proposals for more direct control over the monetary base of the banking system.

Ministers and most of their advisers are still cautious in view of the practical difficulties of switching to a full scale monetary base system. One possibility is that there might be moves in this direction, which might mean sharper fluctuations in interest rates, but without significantly disturbing present institutional arrangements in the City.

The Treasury and the Bank of England are holding a seminar of bankers, financial market participants and academics on September 29.

CBI to attack policies, **Back Page**

Headline plan to curb spending, **Page 4**

## National docks strike nearer

BY GARETH GRIFFITHS

A DELEGATE CONFERENCE of dockers in London today is likely to approve a national docks strike, following the decision yesterday by Liverpool dockers to take industrial action if redundant dockers are transferred to a temporary unattached register.

A mass meeting of about 3,000 Liverpool dockers voted unanimously to go on strike if 170 dockers employed by the Merseyside stevedoring company T and J Harrison and 10 employed by Bulk Cargo Handling Services are transferred to the list. In the past the Temporary Unattached Register has been used for disciplinary procedures or short-term redundancy.

Dockers' leaders in the Transport and General Workers' Union have warned the government the strike could spread to all Britain's ports. The Government will not intervene and ports such as Liverpool and the Port of London are already on the verge of bankruptcy.

Redundancy payments of around £10,000 each are expected to be offered to the 180 dockers on Thursday by the Liverpool Port Employers' Association in an attempt to avert the strike. However, Mr. Dennis Kelly, the chairman of the Liverpool docks shop stewards said redundancy pay was not an option in an area with such high unemployment as Merseyside.

He said the dockers' meeting reaffirmed the stand the union was taking over the Temporary Unattached Register. Dockers would immediately strike if the register was used and docks outside the national dock labour scheme such as Felixstowe had promised support.

Mr. Kelly said the dockers wanted a return to the principles of the Aldington Jones agreement whereby unemployed dockers are taken on by other port employers. The delegate conference will strongly echo these sentiments as shop stewards in other ports are afraid the use of the temporary unattached register could lead to many redundancies.

The delegate conference's decision is likely to be confirmed by the TGWU's national docks and waterways group which has found unanimously against allowing the redundant men to go on the unattached register. Any strike would have to be approved by the union executive's meeting this week.

## Turkish junta seems firmly in control

BY METIN MUNIR IN ANKARA

TURKEY'S new military rulers are likely to stick to the letter of the \$1.65bn (£687m) three-year standby agreement negotiated with the IMF in June.

The generals are also expected to maintain the programme for economic stability formulated by Mr. Süleyman Demirel, the deposed Prime Minister, at least until long-term policies can be formulated.

The programme has deepened the economic recession and caused much hardship to low income groups—including the army. However, the junta apparently feels it has no alternative but to carry on.

The generals are also clearly aware of the need to reassure Turkey's foreign creditors, who will look to the IMF for the seal of approval. Turkey's foreign debt stands at \$18bn, and the outgoing government had been preparing to ask for more credit as well as to reschedule \$3bn (£1.25bn) of existing loans.

Without these funds the junta may not be able to provide the population of 45m with some basic necessities.

The generals yesterday banned strikes and lockouts and ordered workers to go back to work today. Employers were ordered to award these workers a 70 per cent pay increase in the form of an advance on future pay increases to be settled in collective bargaining between workers and management.

A limited number of other industrial workers will be given a 70 per cent pay increase on the same conditions. The six-man junta, which seized power in a coup last Friday, seem to be firmly in control of the country and to enjoy widespread support.

With the constitution and Government abolished and former political leaders sent into exile, absolute power rests in the hands of General Evren. He has declared himself Head of State, and is expected to name a Cabinet by the weekend. He has said in private that he intends to take things slowly because he wishes to establish an "entirely neutral Government" with members not affiliated to any of the political parties which he himself suspended.

According to first indications, the military junta will follow a middle-of-the-road policy, stressing Turkey's ties with the

West and abiding by the previous regime's stringent stand-by agreement with the IMF.

The military's first priority is to reduce political violence, which has claimed more than 5,000 lives in the last two years and brought Turkey to the brink of civil war.

To achieve this, the country has been put under martial law and the generals given a free hand to fight armed Communist and Fascist terror groups in any manner they see fit.

Hundreds of people, including suspected terrorists, provincial party chiefs and unionists, are being rounded up for interrogation. All political activity has been banned and all but a few charitable associations shut down.

Strikes have been banned. More than 70,000 metal and textile workers who have been on strike for months are expected to return to work.

The mayors of many cities, including Istanbul and Izmir, have been replaced by officers. About 100 Members of Parliament, most of them of Kurdish origin or holding extreme Left-wing, Right-wing or Islamic views, are in detention.

The generals are working on legislation to establish special courts to mete out summary justice to terrorists.

Also under preparation is a temporary constitution which would give legitimacy to the deeds of the junta until democracy is restored. General Evren has promised to restore popular rule after a new constitution has been drawn up and other points in his programme are fulfilled. His stay in power may be prolonged.

Mr. Alparslan Türkeş, chairman of the ultra right wing Nationalist Action Party, gave himself up yesterday morning after hiding for two days. Mr. Türkeş's armed right wing supporters have been responsible for most of the terror which spelled the end of democracy in Turkey for the third time in 20 years.

An army captain was shot dead by unknown gunmen while on patrol in the southern Turkish town of Adana today. Local police say he is the first military victim of violence since Friday's coup.

Turkish coup 'inevitable', **Page 2**

## Announcing the first electronic typewriters

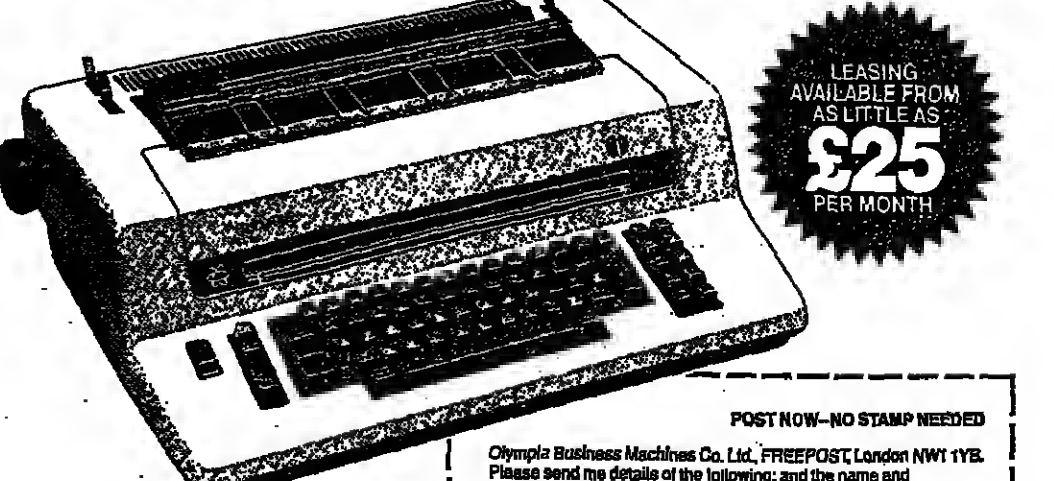
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## OVERSEAS NEWS

## Carter draws level as confidence in the economy grows

BY DAVID BUCHAN IN WASHINGTON

STRONGER PUBLIC confidence about the U.S. economy has helped President Carter draw level with Mr. Ronald Reagan, his Republican opponent, in a second national opinion poll in recent days.

A survey by the Washington Post published yesterday gave each of the two main candidates 37 per cent support in its sample of the electorate, with Mr. John Anderson, the independent, trailing at 13 per cent.

The latest poll came as a senior Government economist made the surprise prediction that gross national product in the current July-September quarter would not show a decline after all, but instead some growth. If confirmed, this would mean that in a narrow sense the U.S. did not go into recession this year, although the April-June quarter recorded a very sharp drop in national output of 9 per cent at an annual rate. The technical definition of recession here is GNP decline for two successive quarters.

Of the post polling sample, only 27 per cent now felt they



Ronald Reagan: no longer out in front

would be worse off economically a year hence, compared to 47 per cent in April when Mr. Reagan was chalking up big leads to the polls.

But a trend towards economic recovery will only help the President at the November ballot if voters give him the credit for it.

## But housing scene gloomy

BY IAN HARGREAVES IN NEW YORK

RECENT SHARP rises in U.S. interest rates are beginning to have a negative impact on U.S. housing—a key sector.

According to a recent survey by the National Association of Homebuilders, an increase in home mortgage rates from 11.5 to 13.75 per cent has been enough to suggest that housing starts in September will be lower than in August.

A week ago, Mr. William Miller, the Treasury Secretary, said interest rates had probably levelled out, but there is concern in some quarters in the Administration that the tight money policy being pursued by the Federal Reserve may be jeopardising the current economic recovery.

The construction industry, which is one of the largest

sources of employment in the U.S., was the first to show evidence of recovery from the sharp downturn in output precipitated by the Fed's imposition of strong credit controls in March.

Monthly housing starts rose strongly in June and July and the Government is expected to report another strong performance for August.

But according to a survey carried out in the last 10 days by the homebuilders' association, 63 per cent of builders now consider the prospects for the industry to be poor.

Banks and savings institutions which deal in home loans have also started to report a tail off in demand. The builders' association expects work to start on only 1.2m homes this year, compared with 1.7m last year.

## Turkish coup 'inevitable', say industrialists

PAST THE HIREM cake shop on the Asian side of Istanbul and beyond the posters proclaiming the next bout between Turkey's traditional wrestlers, lies the Seimeye barracks, headquarters of Turkey's first army and of the Istanbul martial law authorities.

This huge building dominates the south end of the Bosphorus and it was there that Florence Nightingale worked during the Crimean war. The museum to her was closed on Sunday. But elsewhere in the barracks the soldiers were greeting visitors with the same assurance and lack of self-doubt that they have shown throughout Turkey since seizing power in the early hours of Friday.

There is no doubt about the firmness of their commander's grip. To drive through Istanbul requires passing a dozen checkpoints. Armoured personnel carriers of Korean war vintage, with ammunition ostentatiously loaded, have been brought in to guard all main vantage points such as the Galata bridge. Soldiers with bayonets guard the local branch of the central bank, scruffy national servicemen in goodarmie uniform line the walls in outlying districts, sailors in white guard the main financial centre.

The soldiers have been applying martial law to Istanbul for 20 months but their approach during the last three days is far more determined than the relatively relaxed atmosphere when the politicians were still in office. The sight of a youth being marched along with two rifles pointed at his back helped to underline yesterday why the military are being taken seriously.

The political slogan writers who used to come out each night now know that they will be shot if seen. The walls are clean. Pickets and strike banners have gone from outside the numerous factories. For many, and in particular the middle classes, it is a time for relief.

"I no longer worry whether my son will return from school alive," is a common refrain. To this extent, normality has returned to a country where the assassination rate was reaching 20 people a day.

In many ways life goes on as normal. The World Conference on Earthquake Engineering was able to end on time and the fashion show of Vakko, the local Harrods, attracted crowds at the Istanbul Hilton.

But elsewhere, particularly in working class districts which had come to be dominated by

David Tonge in Istanbul finds that post-coup attitudes vary. While many welcome the increased personal security and businessmen appreciate the promised continuity of economic policy, some trade unionists were defiant and anxiety was expressed for those arrested by the armed forces.

one side or the other of Turkey's polarised political forces, a different atmosphere reigns.

There the arrests have been many and there is often concern about how prisoners are being treated. The visitor finds suspicion and anxiety. For both unions and businessmen there are more questions than answers.

"Our leaders have been arrested but our strike will continue," one trade unionist

said quietly in a café in the industrial area of Alibey Koy, although a decree yesterday ordering workers to go back to work may change his mind. He was one of 55,000 workers whose strikes have brought the metal-working industry to a halt and affected many other sectors. Before the coup, a further 300,000 workers were expected to come out on strike shortly.

Mr. Demir Aykor, general manager of ELMET, a factory specialising in castings for the motor industry, said he was not sure whether the workers would turn up at his factory today. They had been picketing for three months.

Like many industrialists he felt the coup was inevitable. He said that the military had started with good intentions but he also warned that their "good feelings" might end with an authoritarian regime in power if they failed to make a rapid transition to civil rule.

That concern was also voiced by Mr. Ali Kocman, head of an industrial group which includes a vehicle assembly plant, chrome mining and shipping. Mr. Kocman was head of Tusiad, the Turkish industrialists and businessmen's association, until it, together with all other professional associations, was closed

by the military last week. "We do not only advocate private enterprise but democracy, too. We fully support the commander's promises, but we should maintain certain reservations about the future," Mr. Kocman added that the troubled internal situation was the first priority but employers must be careful not to forget that workers, too, had social and economic rights.

However, both Mr. Aykor and Mr. Kocman stressed that strikes were only one of their problems. "Factories are only working at two-thirds of the level of last year and then they were at three-quarters of their capacity," Mr. Kocman said.

Factors mentioned by the industrialists, apart from stoppages, include shortages of electricity but their particular concern is a fall in domestic demand and an extreme squeeze on liquidity following the tough money and credit policies introduced by the last Government.

These policies, which form part of an austerity programme backed by the International Monetary Fund, are generally endorsed by businessmen. They welcome the way that Mr. Turgut Ozal, architect of these policies, is to continue working with the new Government.

## Latin America 'deeply in debt'

LATIN AMERICA is deeply in debt, especially to the foreign commercial banks, and could be approaching a crisis in its financial relations with the outside world.

This is the sombre message delivered by the 1979 report on economic and social progress in Latin America published yesterday by the Washington-based Inter-American Development Bank. Hugh O'Shaughnessy writes.

From 1973 to 1978, the bank says Latin America's foreign borrowing "showed an unprecedented fivefold increase in value in response to the financial needs of the region whose growth also accelerated when the normal shortfall in resources for regional development was compounded by balance of payments deficits caused by exceptional factors."

Private external capital flows to the region rose "exponentially" from about \$627m in 1961-65 to \$20.2bn in 1978. The bank suggests that the total external indebtedness of Latin America at the end of 1978 was more than \$150bn.

## S. Africa blacks form union group

A new black trade union group, representing 35,000 workers, and dedicated to the creation of an indigenous black union leadership in South Africa, was founded in Johannesburg yesterday.

Peel reports. Creation of the Council of Unions in South Africa (CUSA)—the fourth trade union umbrella body in the country—underlines the increasing organisation of black workers. It is the second body representing the independent black unions, which reject any domination by or sponsorship of white unions. Ten existing unions, all but one based in the Transvaal, have joined.

## Polish Press protest

Polish journalists in Krakow have charged that censorship policies are as strict as ever, despite agreements last month between the Government and strikers, which promised greater freedom in the media. Christopher Bobinski reports from Warsaw. The charge, in a letter sent to the central authorities by the official journalists' association in Krakow, demands that journalists be "no longer manipulated by the party authorities."

The Fiat car company, union leaders and the Italian Government will be looking for a compromise when they meet again today to discuss the company's plans to lay off thousands of workers. Reuters reports from Rome. Fiat, Italy's biggest private company, has already started procedures to dismiss 14,000 workers and is determined to cut 24,000 from the pay roll over 18 months.

## Marchais to stand

M. Georges Marchais, the French Communist Party chief, will be a candidate in the French Presidential election in 1981, he said yesterday. AP reports from Paris. President Giscard d'Estaing is expected to seek another seven-year term and is favoured to win the two rounds of voting on April 26 and May 10.

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## Mideast on EEC agenda today

BY JOHN WYLES IN BRUSSELS

EEC FOREIGN Ministers open their autumn season meetings in Brussels today with an agenda dominated by discussion on possible future involvement in the Middle East peacemaking process.

On this issue, the Nine want to give the appearance of building on the EEC's fact-finding mission to the area in July and August. But they have no intention at this stage of committing themselves to any definite initiative.

Any peace bid will not emerge until after the U.S. Presidential elections on November 4. Meanwhile, the Nine believe that continued activity by the EEC may be a useful counter to general scepticism in the Middle East that the resumption of Camp David negotiations in the next few weeks is anything more than a ploy to help the Carter re-election campaign.

It will not be surprising if the

Ministers agree to send another emissary back to the area in October. But it is unlikely this would be M. Gaston Thorn, Luxembourg's Foreign Minister, who will be reporting today on his July and August visits.

M. Thorn is returning to Israel on September 29 to meet West Bank Palestinian majors, but his obligations as President of the Council of Ministers and President-Elect of the European Commission will not, it is thought, allow him enough time to make a fresh tour in October.

The aim of the second mission would be to seek clarification of some of the points brought back by M. Thurn, while satisfying the need to fill time until after the U.S. elections.

There are no signs that the Nine are yet ready to align themselves on the more basic issues which will eventu-

ally be posed by a concrete initiative. During their political co-operation discussions, the Ministers may well also find time to review recent events in Poland and Turkey.

In the formal Council of Ministers discussions, the main task facing the Nine will be to frame a negotiating mandate for the Commission on Zimbabwe's application to join the Lomé Convention—the EEC's trade and aid arrangements with 59 African, Caribbean and Pacific countries.

Attempts at official level to settle the mandate have stumbled over the terms to be offered covering imports of Zimbabwean sugar, beef, and tobacco. But there is likely to be an agreement that the European Development Fund should be expanded by about 75m Units of Account (\$45.7m), to accommodate Zimbabwe's membership.

## Mugabe pays secret visit to guerrilla camp

BY OUR SALISBURY CORRESPONDENT

ZIMBABWE'S Prime Minister, Mr. Robert Mugabe, paid a visit to his ZANLA guerrillas in a ceasefire assembly camp near the white farming settlement of Mtoko, 100 miles east of Salisbury, yesterday.

Unsure of his reception, Mr. Mugabe and his military commander, Rex Nkhomo, barred all Salisbury-based journalists from entering the camp, code-named "X-Ray" while the Prime Minister's visit went on. The visit went unreported by the state-controlled radio and television.

Mr. Mugabe's visit marked a shift away from his previous practice of leaving the running of the assembly camps in the hands of Mr. Nkhomo. Tension still exists at Camp X-Ray, which ranks among the most troublesome of the 14 assembly camps.

The 1,000 Libyan-trained ZANLA contingent has mounted

four attacks on the Mtoko police camp in the past month and two policemen have been killed. Only 31 white farmers still live in the area—more than 60 fled during the bush war—and a dozen of these 31 are threatening to leave. Farmers say it is now doubtful whether a viable commercial farming community can be maintained there.

Mr. Mugabe's visit to Camp X-Ray is seen as a clear indication of his concern over guerrilla morale in the camps, and of the importance he places on preventing unrest from spreading.

Some 35,000 bush fighters reported to the assembly camps after December's ceasefire, but only 2,000 have so far been inducted into operational battalions of the new army. The rest have become increasingly bored and disillusioned with what they consider the meagre spoils of victory.

## Trudeau summons Cabinet after constitution failure

BY JIM RUSK IN OTTAWA

CANADA'S Prime Minister, Mr. Pierre Trudeau, has summoned his Cabinet and the Liberal Party caucus to meet this week to decide whether to take unilateral action to turn the country's constitution into a Canadian document. At present Canada is governed in accordance with the British North America Act passed by Westminster in 1867.

The meetings this week follow the failure of constitutional talks including the Prime Minister and the leaders of Canada's 10 provinces.

The breakdown came on Saturday when the conference failed to reach consensus on a reform package that could be forwarded to London by the end of the year, as the Federal Government had hoped.

The 10 provinces were able to agree among themselves on a number of constitutional

issues during the week-long conference, but major differences remained between them and the Federal Government. In particular, there was disagreement on an amending formula for the constitution.

The issues on which the conference foundered were provincial refusal to accept a charter of rights including linguistic rights for French Canadians living outside Quebec and English Canadians within Quebec and stronger authority to protect the Canadian common market.

Without provincial acceptance of the charter, Mr. Trudeau refused to yield to provincial demands for provincial control of offshore resources, a provincially appointed upper house to replace the Senate, and stronger provincial powers over inter-provincial trade, natural resources, fisheries and communications.

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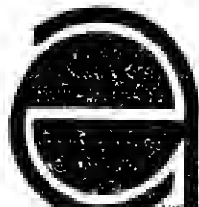
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## OVERSEAS NEWS

## WORLD TRADE NEWS

## PORTUGAL'S GENERAL ELECTION

# Confusion, with the mixture much as before

BY JIMMY BURNS IN LISBON

IN PORTUGAL, the abundance of graffiti is defended on the grounds that in a country that has the highest illiteracy rate in Europe, there is a need for eye-catching symbols and simple slogans. But at the start of the three-week election campaign leading to the General Election of October 5, the habit threatens to confuse rather than clarify.

Posters have mixed past campaigns with present and future ones, so that the observer is hard pressed to retain a sense of time and place. Posters of the 1976 general election have overlapped with posters of last December's poll and these in turn are being superseded by allusions to next month's vote.

Meanwhile, ardent militants have pasted on photographs of their presidential candidates,

reverse than it has been already. The economy is to be opened up further to the private sector, the state sector is to be trimmed, the Left-wing military to be taken out of politics, and Portugal is to be part of a firmly pro-NATO pro-EEC future.

In direct opposition is the United People's Alliance, an electoral grouping led by Portugal's orthodox Communists. Western Europe's most Stalinist party has come round grudgingly from the restless militancy of revolution to the caution of parliamentary politics. But the Communist Party in its manifesto remains dogmatically Marxist-Leninist, committed to the "conquest" of the 1974 Revolution, and virulently anti-NATO.

Between the two poles is the Republican and Socialist Front led by the Portuguese Socialist Party, which was runner-up in last December's general election. The FRS led by Sr. Mario Soares, the former Prime Minister, sees itself as the moderating force in Portuguese politics, and is out to convince the electorate that the democratic alliance and the Communists left to fight it out alone would lead Portugal towards a new totalitarianism.

## Decisions

The Portuguese voter would be facing a straight choice between three electoral alliances were it not for the overshadowing question of the presidential election due in December. More than any other issue during the last few months, the question of who to support as candidate has stirred the passions of both the Government and the leading opposition party.

The Parliament and the Government that will emerge from the October 5 general election will face a period of crucial decisions involving not just the revision of Portugal's socialist constitution but also the terms of Portuguese membership of the EEC.

Given the divisive nature of Portuguese politics, it is unlikely that the necessary political consensus will be achieved without a "strong president" at the helm.

The present Prime Minister, Sr. Francisco Sá Carneiro, is fighting his campaign on the basis that Gen. Eanes must be replaced if the necessary political and economic reforms are to be brought about during the next four years. He has closely linked his own campaign to the issue of the presidency by declaring that he will resign if Gen. Eanes is re-elected.

The FRS, however, is backing Gen. Eanes to the hilt, since they consider that the Government's own candidate, Gen. Antonio Soares Carneiro, would only succeed in taking Portugal even further down the road to dictatorship.

## EEC talks aim at new tariff scheme

By Paul Cheseright

OFFICIALS from the nine EEC countries sit down in Brussels today to start what could be a protracted series of discussions aimed at devising a new generalised scheme of tariff preferences (GSP). The target is to reach agreement by the end of the year when the present scheme expires.

The decisions taken are likely to reflect internal pressures within the EEC to hold back imports. They will have an important impact on the North-South dialogue about the international economic system.

The GSP system has been adopted in varying forms by industrialised countries, and it gives special tariff treatment to the products of developing countries. The idea is simply to encourage industrial development and boost Third World export earnings.

The EEC's scheme came into force in 1971 as a measure of trade liberalisation, but, like schemes elsewhere in the industrialised world, it is operated solely at the discretion of the Brussels authorities.

Three factors will weave in and out of the talks, revolving around changes proposed by the Commission:

● The benefits to the developing countries have been slender because they were narrowly-based;

● The administration of the present system has become excessively cumbersome for the benefits conferred either on exporters or importers;

● Developing countries attach importance to the retention of a GSP system as an earnest sign of goodwill.

The first of these factors has led to the Commission seeking to differentiate between the beneficiaries. At present the Community starts from the principle that industrial products from 146 countries should have duty-free access to the EEC and then qualifies the principle by separating out certain categories of products.

## Lion's share

What the EEC has not done is discriminate against any particular country. But the lion's share of the benefits of the scheme, worked out on the basis of the value of GSP imports, has been taken by seven countries—Yugoslavia, Malaysia, Hong Kong, India, South Korea, Brazil and Romania, in that order.

The Commission now plans—and this is in accordance with Whitehall thinking and the recent report from a House of Lords select committee—to limit imports from those countries selling what are termed sensitive products when they have proved themselves competitive.

The word "sensitive" has a technical connotation within the GSP scheme, and it is at this point that the cumbersome administration of the scheme becomes a factor.

Limitations have been placed on the quantities of certain types of imports. There are 18 sensitive products, 81 semi-sensitive products, where there is an EEC ceiling on duty-free imports, and 28 hybrid products, where exporting countries have a share of a specified amount of EEC imports before duties come into play.

There is a special regime for textile imports, related to the Multi-Fibre Arrangement (MFA). And then there is a list of about 1,700 non-sensitive products where, in practice, no limits are imposed.

## Uncertainty

Importers complain especially about the sensitive and semi-sensitive products. There is, they argue, an atmosphere of uncertainty. In some cases the total quota is exhausted within a few hours of it being opened on the first day of the year.

The Commission's response, in its new plan, is to reduce the number of categories of goods to sensitive—94 products—and to non-sensitive.

The controls on the sensitive products would be mixed. There would be quotas in some cases on a country-by-country basis and, for 30 products, there would be a ceiling on imports.

As talks go forward there is also likely to be considerable argument about what is sensitive and what is not. Whitehall, for example, is under pressure from the chemical industry, among others, about the problems posed by imports. Officials have to chart an ill-defined path between the protectionist demands of local industries under stress and the principle of liberalisation that the GSP is supposed to represent.

On the other hand, there has been some build-up of pressure from developing countries for a more liberal scheme.

This pressure underlines the view that, although the effect of the GSP scheme is modest with only a narrow margin of preference, it does have a role within the EEC's wider development programme.

Patricia Newby in Canberra examines the dilemma facing Australia's trade negotiators on the eve of their Common Market talks in Brussels

## Protectionist claim threatens to backfire

MR. DOUGLAS ANTHONY, the Australian Minister for Trade and Resources, arrives in Brussels today for talks with senior EEC officials. He is determined to see that Australia is not put at any disadvantage by future EEC decisions on a sheepmeat regime.

"We have got to be firm. There is no use talking politely," he said just before his departure.

Referring to a threat to divert A\$1bn (£485m) of Australian buying away from the EEC in retaliation for any adverse effects caused by a sheepmeat regime, he said, "Since we announced we would react I've had a lot more interest and attention than I've ever had before."

Mr. Anthony intends to continue his attack on EEC trade policies. Australia sees the common agricultural policy (CAP) as going far beyond protection of European rural industries. He is particularly concerned about the effect on world markets of highly-subsidised EEC farm exports.

This is a long-standing theme, but the threat of retaliation has introduced new tension into Australia's commercial diplomacy with the EEC. "For the first time they're starting to recognise that they ought get a bit of their own medicine," he said.

The nature of this retaliation

Mr. Lee Kuan Yew, the Singapore Prime Minister, said last week that Australia could not expect support for its attack on the EEC while following its own protectionist regime at home.

Mr. Lee is a widely published attack on Mr. Malcolm Fraser, the Australian Prime Minister, said Australia was in

Australia is determined to continue its attacks on the EEC's trade policies, but it will not be able to count on any support from Singapore, whose Prime Minister, Mr. Lee Kuan Yew, last week severely criticised what he termed Australia's own protectionist regime at home.

against EEC trade barriers will be discussed in Brussels on Tuesday. It has already been made clear that an Australian order for four Airbus Industrie A-300 aircraft, worth A\$250m, could be a target.

But Australia has just lost one ally in its attack on what it sees as EEC protectionism.

danger of becoming "irrelevant" to Southeast Asia, because its trade policies were even more "backward-looking" than those of the EEC.

The attack hit one raw nerve in view of Mr. Anthony's talks in Brussels. It struck another because the Canberra Government, after a year of agonising

over recommendations from the Australia Industries Assistance Commission, had recently decided not to alter the levels of protection afforded to textiles, footwear and clothing.

But the attack was also ominously like remarks made earlier this year by Mr. Finn Guddelach, the EEC's agriculture commissioner. He said simply that those in glass houses should not throw stones.

The Australian attitude on lowering its own tariffs is, at least in part, related to the forthcoming general election. The Government has argued that it could not accept the unemployment likely to result from lower tariffs.

However, there are many local economists who argue that Australia should lower barriers on labour-intensive, uncompetitive, import-substituting manufactures.

On the other hand, it is pointed out that even if the market is opened to textiles, footwear and clothing from abroad, there is a limit to the

amount 14m people can buy, especially when the market is split between countries throughout South-east Asia, the Pacific and the Indian sub-continent, not to speak of Japan, the U.S. and the EEC.

The Industries Assistance Commission waits tariffs lowered as a help towards restructuring industry towards high technology products. And the Treasury is also anxious to phase out import restrictions.

The Australian position is especially sensitive as far as trade with the Association of Southeast Asian Nations (ASEAN) is concerned. Imports from Singapore, Malaysia, the Philippines, Indonesia and Thailand were worth A\$1bn in 1979-1980, but exports came to A\$1.4bn.

In Brussels, however, Mr. Anthony can argue for a redressing of the trade balance with the EEC. Australian exports in 1979-80 to the EEC were worth A\$2.6bn, but imports from the EEC came to A\$3.8bn.

## SHIPPING REPORT

## VLCC recovery continues

BY WILLIAM HALL, SHIPPING CORRESPONDENT

THE MARKET for Very Large Crude Carriers (VLCCs) has continued the recovery which started at the end of last month and rates are now back to break-even levels. Owners are once again considering bringing their ships out of lay-up.

The highlight of the week was an American oil major which chartered well over 1m dwt of large tankers and managed to keep the freight rates from rising above Worldscale 37.5. However, rates have since moved above Worldscale 40 and

the more optimistic owners are talking of Worldscale 50 for the major Arabian Gulf/West route. To put these rates in perspective, the going rate for VLCCs a month ago was Worldscale 25.

On the route between the Arabian Gulf and the Far East, a 245,000 dwt tanker has been fixed at Worldscale 45 and there have been reports that a 230,000 tonner has been fixed at Worldscale 50.

One of the main factors underpinning the market is the large number of tankers that have

been earmarked for use as floating storage vessels ahead of the winter period in the West, when oil demand traditionally increases.

Galbraith Wrightson reports, in its weekly tanker chartering report, that around 30 VLCCs and ULCCs have been chartered with storage involvement since early June.

In the dry cargo markets, the main talking point is the level of Russian chartering activity which is supporting rates in the grain trades. Galbraith Wright-

## World Economic Indicators

## INDUSTRIAL PRODUCTION

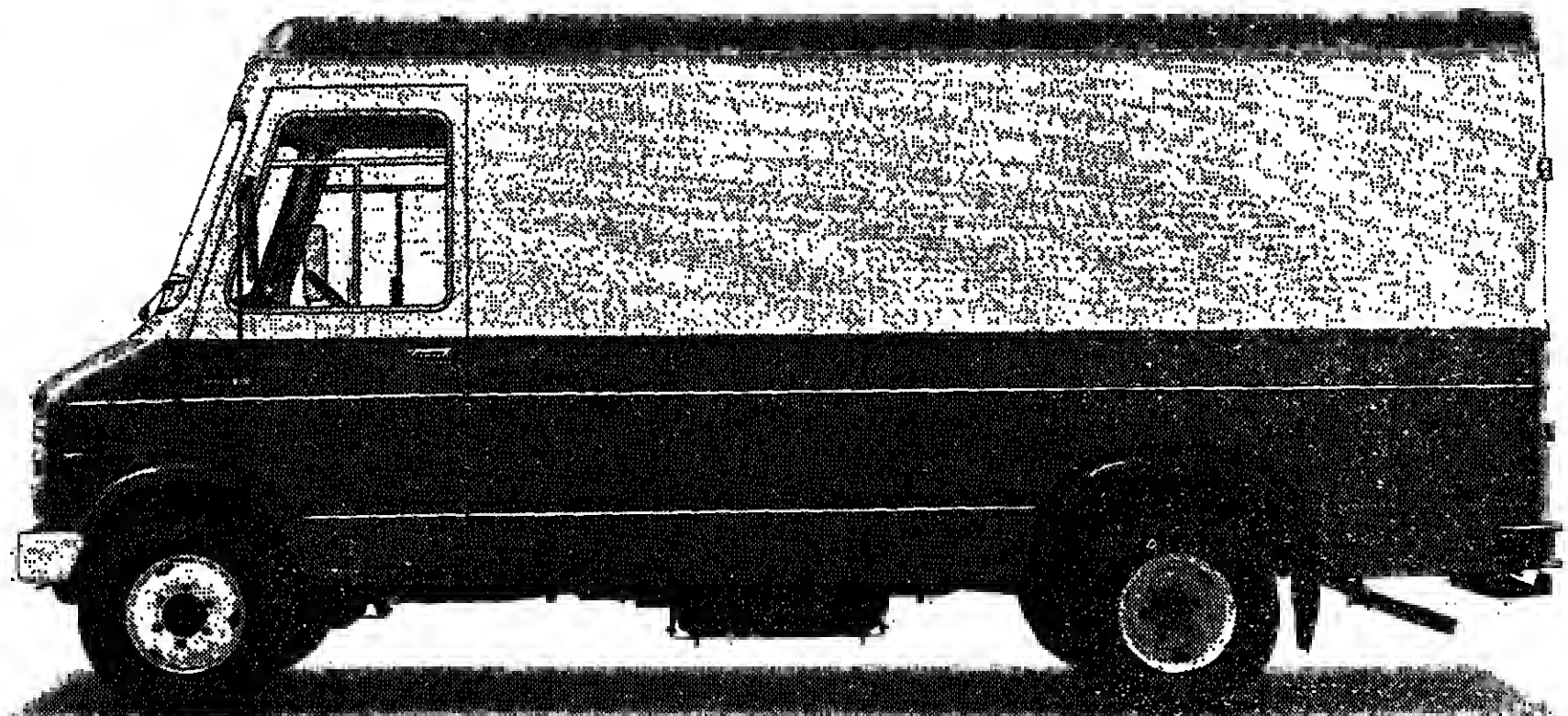
	July '80	June '80	May '80	July '79	% change over previous year	Index base year
W. Germany	108.9	120.3	130.9	112.9	-3.5	1970=100
U.S.	138.8	141.0	144.3	152.6	-9.1	1967=100
UK	108.2	106.9	107.2	116.0	-6.4	1975=100
Japan	142.5	143.5	145.2	132.5	+7.5	1975=100
France	132.0	131.0	136.0	132.0	0.0	1970=100
Italy	147.7	149.0	147.8	134.8	+9.6	1970=100
Belgium	123.7	125.0	125.8	127.3	-2.8	1970=100
Holland	112.0	116.0	118.0	119.0	-5.9	1975=100

son reports that several 28,000 dwt-40,000 dwt have been fixed by the Russians, and a number of other ships have been fixed secretly.

There are reports that bad

weather conditions are seriously affecting the harvesting of the Soviet grain crop. As a result, there is considerable uncertainty about the overall size of its imported grain requirements.

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## UK NEWS

# BSC aims to lose 1,000 Corby jobs by April

BY ANTHONY MORETON, REGIONAL AFFAIRS EDITOR

TALKS ARE now being held between the British Steel Corporation and the unions over a further reduction in numbers employed at the Corby works. It is understood that the corporation is looking for 1,000 more redundancies by next April, which would bring the workforce down to about 4,500 people.

This further trimming of the payroll will have serious consequences for the town. Unemployment among men is now running at 18.9 per cent compared with a national average of 9.2 per cent. The extra redundancies will push Corby's unemployment among men to near 25 per cent.

BSC announced the ending of steelmaking at Corby just after Christmas last year. At that time the workforce totalled just under 11,000, though at its peak in 1975 the corporation had provided employment for 14,000.

The ending of steelmaking meant the loss of 5,500 jobs in a town where steel employed about half the workforce. The present workforce is about 6,000, with only about 500 of those engaged in steelmaking still to go.

BSC in Corby is now concerned solely with tubemaking,

though a relatively small number are employed on the staff of the headquarters of the tubes division. It is from this workforce, which now totals 5,500, that the extra 1,000 redundancies will have to be found. Short-term working among the remaining men is likely to be announced this week.

The tubes division lost £34m after interest in the financial year 1979-80 out of BSC's loss of £545m. The tubes' loss was the lowest among BSC's six divisions.

BSC said that talks with the unions over the next 1,000 redundancies were going smoothly. "The unions are being very sensible. They realise we have to be competitive if we are to survive."

The need to make further cuts at Corby comes at the same time as the energetic review of BSC's UK-wide activities which Mr. Ian MacGregor, the new chairman, has instituted. This review is in addition to the current programme, started by the last chairman, Sir Charles Villiers, which pruned 32,000 jobs.

Although Corby's tubemaking activities are being pruned, the Corporation is also updating some of its activities there.

Some £45m has been spent on a small-welded development scheme which should come on stream early next year and another £12m has gone on a slipping plant.

The Corporation said there was no fear of tubemaking closing in Corby because no other plant in Britain makes welded tubes.

This will be good news for Corby as it fights to attract new firms to provide work for the displaced steelworkers, a struggle in which it has already had a considerable measure of success. Last Wednesday work started on a new plant for the Oxford University Press which, when completed, will employ 180 people. Companies which this year have announced their intention of moving to the town will eventually employ 1,000.

Corby has been greatly helped by being given development area status a fortnight before the steelmaking closure was put into operation.

Since the start of this year the Department of Industry has received 47 hard inquiries for assistance towards opening in the town.

If all 47 inquiries are turned into plant openings they will create 2,700 jobs.

## Banks fail to reach agreement on 'link up'

By Michael Lafferty, Banking Correspondent

THE clearing banks have failed to reach agreement on a joint system to be developed for a nationwide electronic point-of-sale (P.O.S.T.) payment system. In one developed form the idea would lead to the linking of all retailers with all bank branches throughout the country, so that deductions could be made from a customer's bank account at the moment keys were pressed on a retailer's cash terminal.

Now, the banks are to press different competitive systems. Plans for a co-operative scheme for the introduction of P.O.S.T. were outlined in a detailed report by a bank working party earlier this year.

However, in subsequent discussions it emerged that individual banks had different ideas about the scheme. It soon became clear that the necessary consensus for going ahead with a non-competitive P.O.S.T. immediately did not exist.

### New CWS chief

MR. DENNIS LANDAU officially takes over today, from Sir Arthur Sugden, as chief executive of the Manchester-based Co-operative Wholesale Society, the largest food manufacturing and wholesaling organisation in Europe.

### Beer price limit

J. W. CAMERON, the Hartlepool-based brewery and subsidiary of Ellerman Lines, has asked its 400 tenants in the north east to restrict beer price rises this autumn to 1p a pint in order to boost trade. Around 70 per cent of tenants have so far agreed.

### Cocoa stocks rise

A RECORD world cocoa crop in 1979-80 of 1,595,000 tonnes has pushed surplus stocks up by 158,000 tonnes to 651,000 tonnes, the highest level since 1965-66, according to the latest market report by London brokers, Gill and Duffus.

## Unprofitable Concorde flights to Singapore may be cut

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH AIRWAYS and Singapore Airlines are expected to decide soon to drop their joint service between London and Singapore via Bahrain, because of heavy financial losses and lack of traffic on the route.

The service, which began in late 1977 and is flown three times a week in each direction, is losing several million pounds a year.

Concorde needs to fill at least 70 to 75 of its 100 seats to make money, and on the Singapore route the load factor (the percentage of seats filled), has only reached about 40 per cent.

A detailed analysis of the financial outlook for the route, conducted recently, appears to have convinced the two airlines that the service is not likely to pay its way in the future.

Overall losses on all Concorde operations since they began in early 1976 with the London/Bahrain service now amount to £30m. While the London/New York route is profitable, those to Washington, Bahrain and Singapore are not.

The problem is not caused by the higher fare charged for the Concorde service to Singapore—first class plus 15 per cent. Instead, the difficulties stem partly from the refusal of some countries, India and Malaysia, for example, to allow Concorde to cross their countries supersonically. The aircraft therefore has to make extensive detours—such as round the Southern tip of India—which require extra fuel.

Technical improvements to Concorde's performance in recent years have lessened the impact of this problem, but it is still a contributory factor to the low pay loads of the aircraft on the South East Asia route.

Another problem has been the difficulty of combining traffic joining at two points—Bahrain and Singapore. A seat that is booked only between Bahrain and London has to leave Singapore empty, and passengers have sometimes been turned away at Singapore, because there is no room for them on the sector between Bahrain and London.

At one time it had been hoped that Concorde might extend beyond Singapore to other points in the Far East, to Hong Kong and Tokyo, but environmental objections have effectively killed such plans, while services to Australia also seem to be no closer than they were when Concorde first went into service in 1976.

Abandonment of the London/Bahrain/Singapore route will release Concorde flying time for use on the North Atlantic routes to New York and Washington, where load factors are running at well over 80 per cent, especially to New York.

At present, British Airways has six Concorde flights 12 times each way every week between London and New York and three times each way every week between London and Washington.

The additional flying time that will become available is expected to result in an increase in the frequencies to New York to 14 flights each way weekly, and perhaps further to 16 flights each way a week during the coming winter and next spring.

## Airlines slash UK-Germany economy fares

By Michael Donne

BRITISH AIRWAYS and Luftbansa have agreed to offer cheaper fares between the UK and West Germany from the end of next month. Details are expected to be announced soon.

Examples of the new cheap rates include London-Düsseldorf return for £83, a cut of £53 on the normal economy return rate, and London-Frankfurt £79 against the present economy class return of £150.

The fares will be available on all flights between London, Manchester and German cities, but will be subject to restrictions. Payment must be made at booking time; any changes or cancellations, or "no-shows" will incur a penalty of up to 50 per cent of the fare.

## British Caledonian asks for cheap fares decision

BY MICHAEL DONNE

BRITISH CALEDONIAN AIRWAYS is hoping for an early reply from Mr. John Nott, Trade Secretary, to the airline's plans for cheap air fares to Europe.

Mr. Alastair Pugh, managing director of British Caledonian, said during the week-end that the airline agrees with the Air Transport Users' Committee that European air fares are too high.

He pointed out British Caledonian had reapplied some time ago for rights to fly a network of 11 cheap-fare routes from Gatwick, and was also awaiting Mr. Nott's decision on appeals for five other routes originally rejected by the Civil Aviation Authority.

Routes awaiting appeal decisions are those from Gatwick to

Geneva, Milan, Turin, Lisbon and Rome.

The routes for which new licenses are sought are from Gatwick to Stockholm, Gothenburg, Copenhagen, Oslo, Frankfurt, Düsseldorf, Zurich, Barcelona, Marseilles, Madrid and Athens.

In addition, British Caledonian is waiting for the outcome of inter-governmental negotiations on cheap fares on routes to Vienna, Helsinki, Cologne/Bonn, Stuttgart, Hamburg and Hanover.

British Airways is to cut £78 off the fare to Nairobi. A special return fare of £280 will be available for travel in October and November.

## Buyers try to restrict gifts from suppliers

Financial Times Reporter

AN ATTEMPT to curb gifts being offered by suppliers as inducements to the buyers in companies and local authorities has been launched by the Institute of Purchasing and Supply, a professional body of buyers who collectively spend more than £100m a year.

Mr. Ian Groundwater, director-general of the IPS, said yesterday that his members had become increasingly worried over the past few years about the amount of gifts offered by suppliers to promote goods or services. These have been known to include billiard tables and holidays abroad.

The institute has forwarded information to the police about some of the offers and the Fraud Squad had "shown some interest."

The report lists companies and the inducements they are, or have been, offering. Mr. Groundwater said the IPS was not interested in restricting gifts offered to sole traders or partnerships where the decision on whether to accept a gift or not was made by people spending their own money.

It was, however, concerned about the impact of such offers on buyers who act on behalf of larger corporations and could be influenced by gifts to trading with one supplier as opposed to another.

The IPS has a code of ethics and Mr. Groundwater believes such inducements have little effect on its members, but he is worried about the corrupting influence on junior members of buying departments.

He would like the Department of Public Prosecutions to bring a test case to establish whether such gifts were tantamount to bribery or were legitimate sales promotion.

If a test case is not forthcoming the IPS would attempt to draft legislation

## BL to outline further cuts

BY JOHN GRIFFITHS

BL HAS called meetings at a number of plants today at which it is expected to tell unions of further cuts in production, among measures designed to gear BL's operations to the steep fall-off in demand for cars anticipated for the rest of this year.

Meanwhile, a second BL plant has invited its manual workers to apply for voluntary redundancy. The exercise, at the Austin Morris assembly plant at Cowley, is aimed only at finding out how many of the 4,500 manual workers would be prepared to leave. Those applying would receive voluntary

redundancy only at BL's discretion.

The Cowley plant assembles the Morris Ital, Austin Maxi and Princess. At the start of last week, the 5,500 manual workers at BL's nearby Pressed Steel Fisher body plant were also invited to apply for redundancy, although skilled toolroom workers were excluded.

Eighty clerical staff at Fletcher and Stuart, the sugar cane refinery machinery makers of Derby, will be made redundant in January.

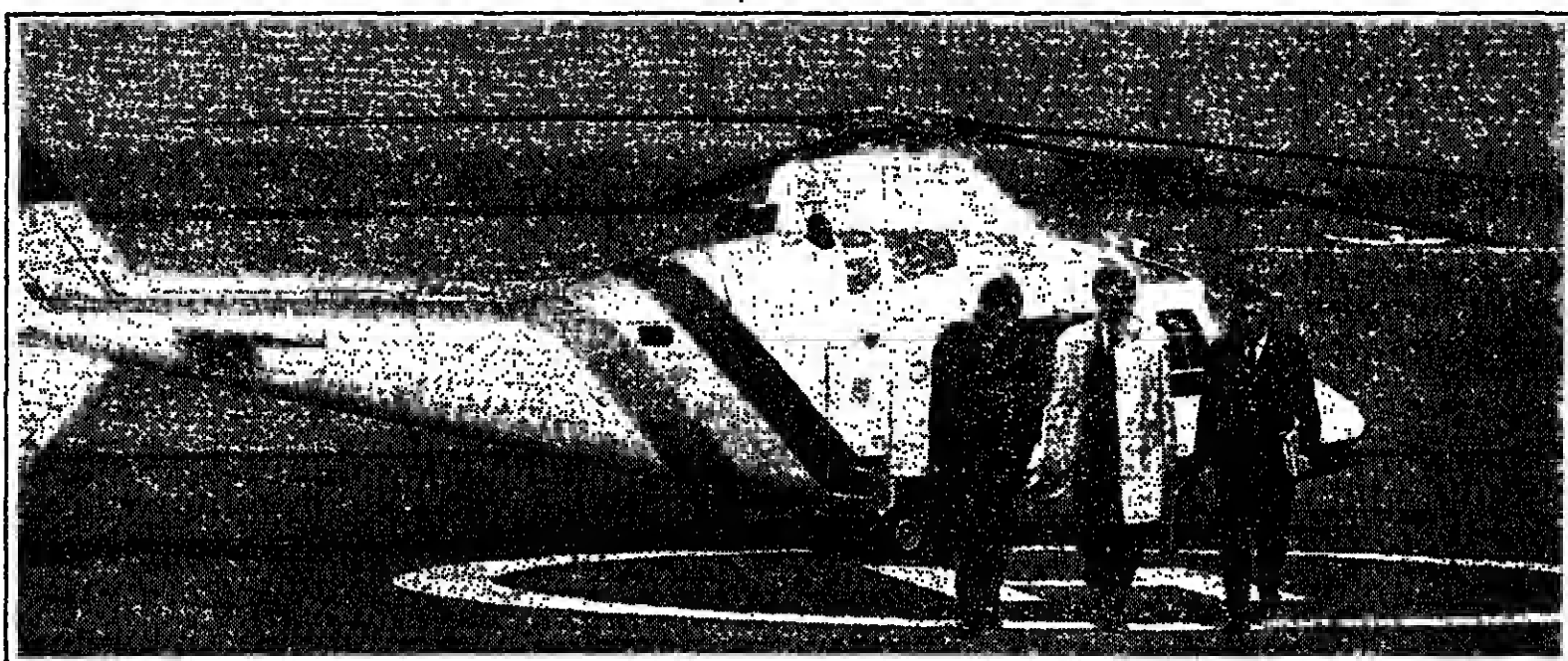
The 603 steel workers at Shelton Bar, Stoke on Trent, are to be put on short time. They will work three weeks out of four, beginning at the end

of the month.

Workers at the Tuthury glassworks, near Burton on Trent, which is to close as part of the Royal Doulton retrenchment plans with a loss of 150 jobs, have appealed for a private buyer to take over the company.

The Welsh Consumer Council has initiated a financial advice scheme to help people with money problems as a result of the recession. Barclays Bank branch managers are available for consultation at centres such as the Citizens Advice Bureau. It is hoped that the scheme might be extended outside Wales.

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## Heseltine plan to curb spending

BY ROBIN PAULEY

THE GOVERNMENT is expected to announce new moves this week in its increasingly confused campaign against what it regards as excessive spending by local authorities in England and Wales.

Under intense pressure from the Treasury, Mr. Michael Heseltine, Environment Secretary, was forced to call for revised budgets for 1980-81 which looked like being over-spent by £700m or 5.6 per cent on the revenue account.

He asked for a cut of 2 per cent on 1978-79 actual expenditure which would have produced almost exactly the £700m he was looking for.

The move has been a failure.

The new budgets have produced a reduction in projected overspending of only just over £200m. Since early projections of up to 4 per cent of overspending invariably evaporated as the financial year progressed, there is some doubt as to whether the cut achieved represents anything at all.

So the Government, in what again appears to be a Treasury rather than an Environment Department initiative, has decided to act to make sure the year ends in balance on local authority spending.

The most likely move will be to reduce the amount payable as an increase order for 1980-81. This is the amount paid by the

Government to make up for under-provision on inflation or other unexpected expenditure items which have arisen since budget fixing.

A general reduction would have the disadvantage of penalising those authorities which did cut their budgeted expenditure back in the revised form as well as those which felt unable to or refused to.

Other options include a moratorium on capital projects, which has the disadvantage of hitting capital when the problem is in revenue expenditure, and blocking access to the Public Works Loan Fund, the Government's lender of last resort for local authorities.

## Domestic rates are 'good value'

EVERY YEAR the rise in domestic rates levied by local authorities creates a hue and cry, accompanied more by emotive talk of the rate revolts than by statistics and scientific argument.

In fact, domestic rates are in many ways remarkably good value. The net domestic rate as a percentage of personal disposable income in the UK has remained stable since before the last war, ranging from 2.71 per cent in 1938-39 to its lowest point, 1.92 per cent in 1965-66.

The figure for 1978 and 1979 was 2.07 per cent, lower than in any year between 1953 and 1973.

It is true that the range of services provided has changed over the period and that for some, additional payments have to be made. Nevertheless, the pain of paying domestic rates has more to do with their "visibility" than their actual drain on disposable incomes.

The exact reverse is true for commerce and industry which has had to shoulder an ever increasing burden of the rate bill. Small businesses (fewer than 100 employees) are hit particularly hard.

With the added difficulties of the current recession, there is no doubt that high rates are contributory factors to the increase in redundancies in small business, although it is doubtful whether a rate bill alone has yet been responsible for a closure or bankruptcy, even in a declining two-man fruit and veg store.

The central argument against non-domestic rates is that they are a charge on profits, but do not vary with the size of the profit. When profits are low, as in 1974, 1978 and now, rates become a heavier burden on

business and must contribute to the loss of jobs.

Other things being equal, reduction of non-domestic rates must be one of the main measures the Chancellor could take if he were to decide to help industry," Prof. Foster says.

The rates bill for commerce and industry has risen consistently as a proportion of profits since the reintroduction of industrial rating in the 1950s.

The bills of non-domestic ratepayers bear no relation to the value of the services they receive.

Business would probably welcome, therefore, the abolition of commercial rates and their replacement with the system of economic charging for services. Domestic ratepayers, on the other hand, get much more in terms of real value services than they pay for in rates.

While the proportion of domestic income paid in rates has remained stable or even fallen, the real value of local services provided since 1974—when local government was re-

organised—has risen by 275 per cent.

Prof. Foster, says the average domestic ratepayer gets services worth nearly three times the real value of the services provided in 1958 for each real pound of rates.

In the same period the proportion of all the local revenue—rates, charges and grants—raised from domestic ratepayers has fallen from 30 per cent to today's level of only 10 per cent.

The non-domestic ratepayer provides the other part of this equation. He now pays 80 per cent of the total rates bill compared with 51 per cent in 1965.

Non-domestic rates raised about 25m last year compared with £2.7bn paid in domestic rates. Central government now funds about 50 per cent of local government's total £22bn annual spending, compared with less than 40 per cent in 1965 when local government's annual bill was a little over £4bn.

Companies have had to pay an increasing share of their gross trading profits in rates over the last 15 years, reaching a peak in 1975, then falling again—until last year when the percentage started to rise once more. Since 1965 the proportion of gross trading profits paid in rates has risen from 14 per cent to 41 per cent in 1975. This year's proportion is expected to be about 36 per cent.

While the government has shown itself willing, and even keen, to intervene in every aspect of local government finance it has shown no inclination so far of wanting to help small businesses and industry with rate bills.

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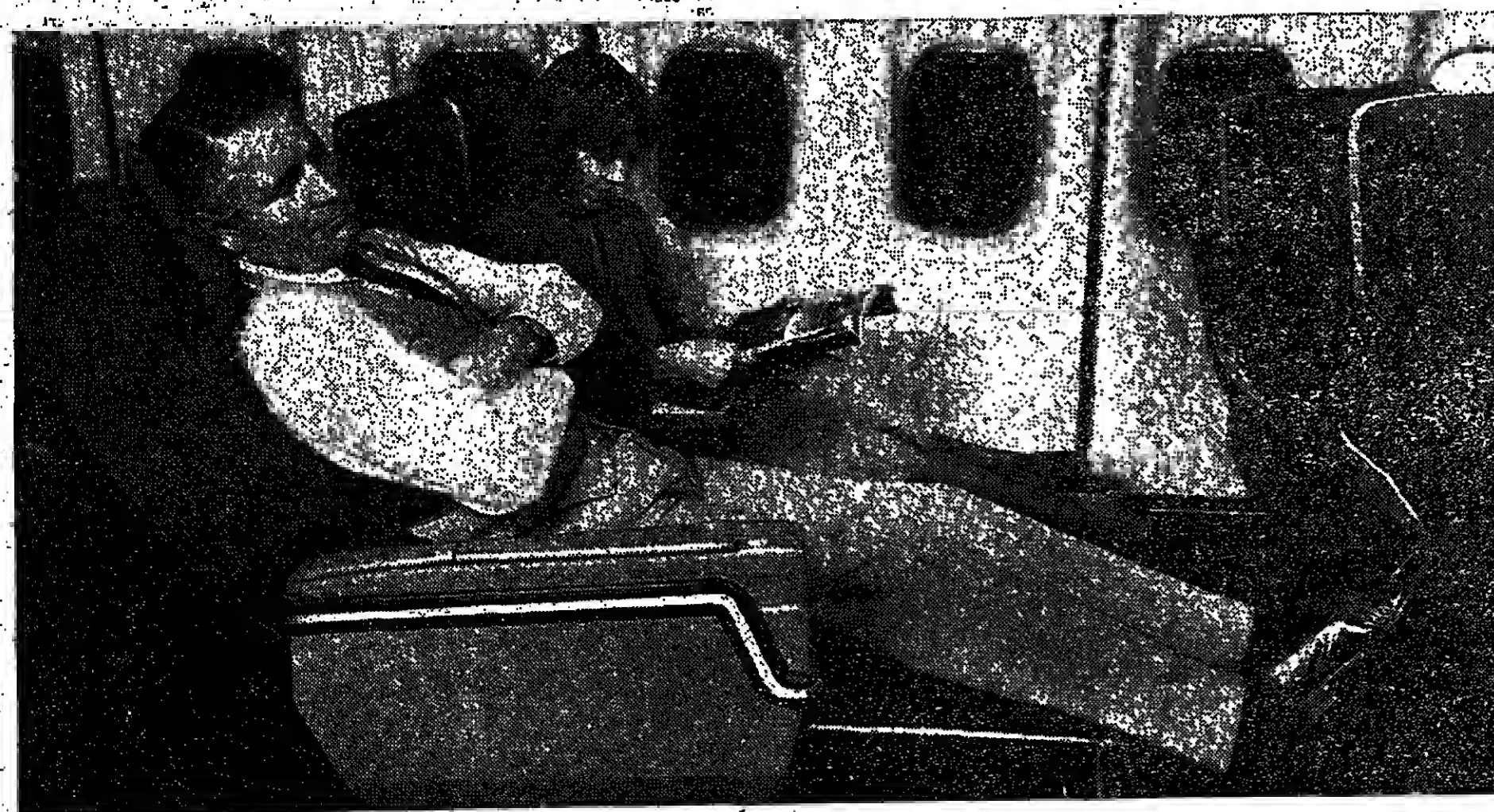


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## UK NEWS

## OFT to look at car parts dealing

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE UK car components industry, which has retail sales of £1.5bn a year, is to be investigated by the Monopolies and Mergers Commission.

The investigation will be announced within the next few weeks by the Office of Fair Trading. The OFT has already written to 14 major component manufacturers and two trade associations informing them of the inquiry and asking for their comments on the proposed terms of reference.

The Monopolies Commission investigation, which follows a major Price Commission report on the industry published last year, is likely to take between two and three years to complete.

The decision to investigate the supply of car components in the UK follows widespread concern about the problems facing British component manufacturers.

facturers as the domestic car industry declines and competition from foreign producers increases.

The main area likely to be investigated by the Monopolies Commission is the franchise for selling car spares. About 50 per cent of car spares are sold through dealers who own a franchise to deal exclusively in spares for one particular vehicle manufacturer.

Although this enables the vehicle manufacturer to provide an attractive total package of car spares for motorists, one of the Price Commission's findings, which the Department of Industry refused to allow published in the final report, was that car spares were usually much cheaper when sold through non-franchised dealers.

Moreover, the increase in numbers of foreign cars sold in the UK—whose spares are also sold through franchised dealers—means a shrinking total market for UK component producers.

This was recognised by the Price Commission report, which said that "the degree of effective exclusivity the franchise system provides in the sale of parts is in our view undesirable, in that it tends to blunt competition and to limit the access of UK produced components to the after market for the growing number of imported cars."

Ending the franchise system could also lead to lower prices of car spares for motorists. One of the Price Commission's findings, which the Department of Industry refused to allow published in the final report, was that car spares were usually much cheaper when sold through non-franchised dealers.

Oil filters and sparking plugs in particular were cited as usually being more expensive than necessary.

Another unpublished comment by the Price Commission likely to be of interest to the Monopolies Commission investigation was that "in some UK (component) plants, productivity could be increased substantially without any new investment."

The heavily censored Price Commission report was published only after a delay of several months, caused by the Industry Department's concern that ending the exclusive franchise dealer system would harm BL's competitive position in the UK market.

However, the problems of the specialist component manufacturers has forced the Government to take some action, although it is already being suggested that the lengthy Monopolies Commission investigation may be too late to prevent the industry's collapse.

## LABOUR

## Plant sale threatened by sit-in, union told

By Our Labour Staff

ALFRED HERBERT has told 1,000 workers at its Edgwick, Coventry plant that their nine-day sit-in for higher redundancy payments could jeopardise the proposed sale of the plant to Tooling Investments.

The sit-in—mainly by members of the Amalgamated Union of Engineering Workers and its Technical, Administrative and Supervisory Section, TASS—started in protest against the suspension of a supervisor at the plant who was working to rule. The supervisor was subsequently reinstated but the sit-in continued over the scale of redundancy payments.

Union negotiators have told Herbert that the pay-off should be in line with previous agreements at the plant. These were roughly double the size of the statutory payments but this time the management is offering only the statutory sum.

Mr. Walter Lees, chief executive, said yesterday that the sit-in could have an adverse effect on the sale. He sent letters to employees at the weekend warning them of the consequences of their actions.

Tooting Investments is due to take over the factory, which produces lathes, at the end of the month. It has told the shop stewards it is prepared to keep on 450 workers instead of the planned 300.

The company is understood to be worried about the possibility of pickets at the plant when it takes over.

Union officials, however, have discounted the threat that the sale might not go through as an attempt to end the protest.

## Journalists call strike over London weighting

BY GARETH GRIFFITHS

MEMBERS OF the National Union of Journalists employed on 38 London weekly papers and the Slough Evening Mail start an official strike today over a London weighting allowance.

About 500 journalists are affected by the dispute. NUJ members in the provincial Press had stopped work during the national provincial strike in 1978 and early 1979.

The Newspaper Society, the employers' organisation said at the weekend it was confident it could produce the papers in spite of the strike.

A meeting at the Conway Hall, Holborn, London, on Saturday resulted in a 149 to 107 vote in favour of strike action. Talks between the union and the employers have been held since June over the weighting allowance.

## Offered

The union wants a £20 weekly London weighting payment for those employed within a 12-mile radius of central London. The Newspaper Society has offered £3.50 but with a new money element in the settlement it would mean between £3 and £4 per week extra for most senior journalists on the weekly papers.

Average pay on the weekly papers is about £122 per week. The journalists whose pay settlement is dealt with by the Provincial Newspapers Industrial Council of the NUJ have

seen much higher pay settlements achieved by Fleet Street chapels or office branches, already on much higher basic rates.

Mr. Noel Howell, the NUJ national organiser said some London weekly papers would not appear because of the strike and those that did would have no editorial content at all. The union wants a further meeting with the employers and says the claim is still negotiable.

The Newspaper Society said after the strike had been announced that it was disappointed by the decision. But an NUJ strike did not mean that papers in the London area would not appear. Member companies had shown that the strike could produce newspapers without journalists and also without printers.

An NUJ working party has suggested the Press Council be replaced by a media complaints council and a complaints commission. The media complaints council should be funded with public money and work in the same manner as the Advisory, Conciliation and Arbitration Service.

A complaints commission, according to the working party under Mr. Francis Beckett, the union's president, should draw a majority of its members from the trade unions. The NUJ decided this year to leave the Press Council. The union now wants the opinion of its members on the proposals by September 24.

## Shorter hours plea for rubber industry

By Our Labour Staff

THOUSANDS of jobs in the rubber industry are at risk unless local union negotiators try to cut the number of working hours, says a General and Municipal Workers' Union report published today.

The union criticises the lack of consultation in the rubber industry and says its suggestions are being taken up now only because of the threat to key sectors of the tyre sector. More than 7,000 jobs were lost during 1979 and wage settlements ran below the rate of inflation.

Mr. David Warburton, the union's national industrial officer, points out that company planning has been inadequate and problems in rubber, from footwear to hoses, have not received any national attention.

A GMWU conference on the rubber industry is to be held in Cardiff tomorrow. It will discuss the report and is likely to endorse a 27.5-a-week minimum wage call for the present pay round.

The union has about 21,000 members in the industry and about two-thirds of them were covered by the report's survey. Overtime working has dropped significantly, according to the report. However, the report expresses concern that the industry could be left behind in its efforts to reduce the length of the working week.

## Engineers put pressure for better pay deal

By Our Labour Staff

A UNION has warned it will recall its national committee, the policy making body, if it does not receive a substantially improved pay offer from the engineering employers next month.

Last week the Amalgamated Union of Engineering Workers rejected a 6.2 per cent offer from the Engineering Employers Federation. The union has put in a claim for 18.5 per cent. A further meeting is set for October 13.

Mr. Terry Duffy, the AUEW's president, said after the national committee meeting at Llandudno on Saturday that the committee had voted unanimously for a recall if the offer was not considerably bettered.

## Local council staff hope for 21%

BY OUR LABOUR STAFF

A UNION which has sought arbitration on a 20 per cent wage claim for 500,000 local government workers, said at the weekend it expected wage rises in line with those of other groups in the economy.

Mr. Geoffrey Drain, general secretary of the National and Local Government Officers' Association, told a meeting of the national executive council on Saturday that he hoped the employers would offer a 21 per cent pay deal.

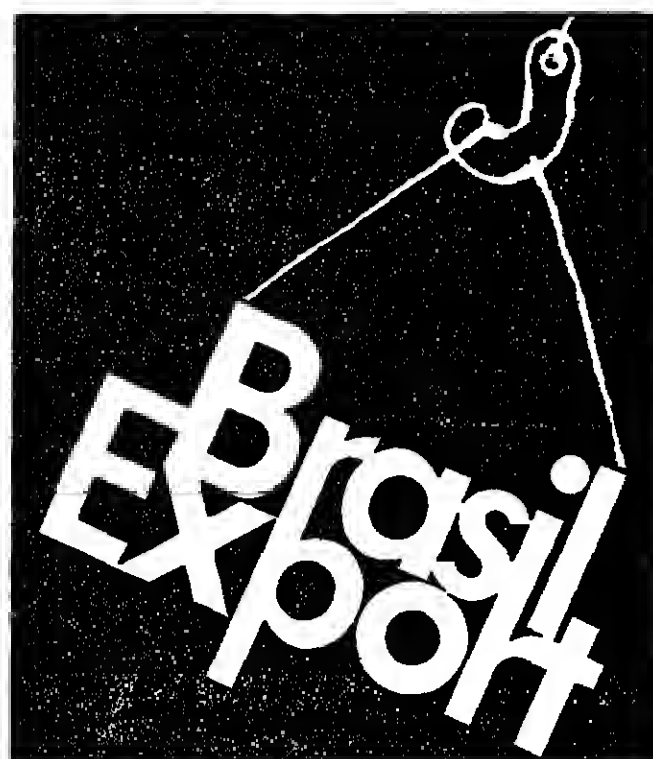
"It is precisely because local authority and health white collar workers have been offered less than the average of current earnings rises that their 1979-80 claims have not yet been settled," he said.

The position in the health service for union members was even worse than in local government because a 20-year-old link with the wages of civil servants had been broken, he added.

indicated it expects a tough line to be taken on local government and health service pay during the next pay round. Sir Geoffrey Howe, the Chancellor of the Exchequer, said last week that concept of catching up and comparability are dead.

A settlement for local government workers was due in July. The employers have offered 13 per cent but warned that any improvements found by arbitration will mean fewer jobs and services.

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Tenders must be lodged not later than 10.00 a.m. on Thursday, 18th September 1980 at the Bank of England, New Issues, Watling Street, London, EC4M 3AA or not later than 3.30 p.m. on Wednesday, 17th September 1980 at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England. Each tender must be for one amount and at one price. The minimum price, before which tenders will not be accepted, is £92.50 per cent. Tenders must be made at the minimum price or at higher prices which are multiples of 25p. Tenders lodged without a price being stated will be deemed to have been made at the minimum price.

A separate cheque representing a deposit of £50.00 per cent of the nominal amount tendered for must accompany each tender; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man. Tenders must be in sealed envelopes marked "Exchequer Tender".

Tenders must be for a minimum of £100 Stock and for multiples of Stock as follows—

Amount of Stock tendered for	Multiple
£100—£2,000	£100
£2,000—£5,000	£500
£5,000—£20,000	£1,000
£20,000—£100,000	£5,000
£100,000 or greater	£10,000

Her Majesty's Treasury reserve the right to reject any tender or to allot a less amount than that tendered for. If an allotment is made, the Stock will be allotted at the minimum price, the balance of Stock not tendered for being allotted at the minimum price to the Governor and Company of the Bank of England, unless the tenderer, if over-subscribed, all allotments will be made at the lowest price at which any tender is accepted (the allotment price), and tenders accepted at prices above the allotment price will be allotted in full.

Letters of allotment in respect of Stock allotted, being the only form in which the Stock may be transferred, will be despatched by post at the risk of the allottee, and the despatch of any letter of allotment, and any refund of the balance of the amount paid on deposit, may at the discretion of the Bank of England be withheld until the tenderer's cheque has been paid. In the event of such withholding, the tenderer will be notified by letter by the Bank of England of the acceptance of his tender and of the amount of Stock allocated to him, subject to each case to payment of his cheque, but such notification will confer no right on the tenderer to transfer the Stock so allocated.

No allotment will be made for a less amount than £100 Stock. In the event of partial allotment, the balance of the amount paid on deposit will, when refunded, be remitted by cheque despatched by post at the risk of the allottee; if no allotment is made the amount paid on deposit will be returned. Likewise, payment in full may be made at any time after allotment but no discount will be allowed on such payment. Interest at the rate of 1 per cent per annum over the Bank of England's Minimum Lending Rate on a day-to-day basis may be charged on any overdraw amount which may be accepted. Default in due payment of any amount in respect of the Stock will render the allotment of such Stock liable to cancellation and any amount previously paid liable to forfeiture.

Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Watling Street, London, EC4M 3AA, or by any of its Branches, the Bank of England, on any date not later than 22nd October 1980. Such requests must be signed and must be accompanied by the letter of allotment.

Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the balance of the purchase money is paid.

unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 24th October 1980.

Until the close of business on 15th April 1981 Stock issued in accordance with this prospectus will be known as 12 per cent Exchequer Stock, 1998 "A"; the last date for lodgment at the Bank of England of tenders for "A" Stock will be 18th April 1981. The interest due on 20th May 1981 will be based on existing holdings of 12 per cent Exchequer Stock, 1998 and on holdings of "A" Stock; consequently, interest mandates, authorities for income tax exemption and other notifications recorded in respect of existing holdings will not be applied to the payment of interest due on 20th May 1981 on holdings of "A" Stock. From the opening of business on 16th April 1981 the "A" Stock will be amalgamated with the existing Stock.

Tender forms and copies of this prospectus may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 3AA; at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England; at the Bank of Ireland, P.O. Box 13, Oneagall Place, Belfast, AT1 6BX; at Mullions & Co., 15 Moorgate, London, EC2R 6AN; or at any office of The Stock Exchange in the United Kingdom.

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£2,000—£5,000	£500	£
£5,000—£20,000	£1,000	£
£20,000—£100,000	£5,000	£
£100,000 or greater	£10,000	£

Amount of deposit enclosed, being £50.00 per cent of the nominal amount of Stock tendered for (shown in Box 1 above)—

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The price tendered per £100 Stock, being a multiple of 25p and not less than the minimum tender price of £92.50—

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I/We hereby engage to pay the balance of the purchase money when it becomes due on any allotment that may be made in respect of this tender, or as provided by the old prospectus.

I/We request that any letter of allotment in respect of Stock allotted to me/as be sent by post at my/our risk to me/us at the address shown below.

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The price tendered must be a multiple of 25p and not less than the minimum tender price. If no price is stated, this tender will be deemed to have been made at the minimum tender price. Each tender must be for one amount and at one price.

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## FINANCIAL TIMES SURVEY

Monday September 15 1980

## BRISTOL

Bristol has seen a sharp recovery in its economic fortunes during the past two years. The city is also seeing an increase in inward investment, particularly by electronic and other high technology companies.

## Resilient in the face of recession

By Robin Reeves

BRISTOL IS a city which has rarely fallen on hard times and in the current recession it is once again demonstrating its economic resilience. Founded on trade and a merchant venturing tradition—it was from Bristol that John Cabot sailed in the 15th century—it has prospered ever since.

Many of the traditional industries, established as a result of the city's seafaring past, continue to serve Bristol well. The city's long involvement with the wine trade—symbolised by Harvey's Bristol sherry—is as important today as ever it was. Indeed, for the past three years in July Bristol has hosted a World Wine Fair which this year attracted some 100,000 visitors. Its future as a regular annual event now seems assured.

The centuries-old connection with tobacco is represented by

Imperial Tobacco, which still retains its headquarters in Bristol, and its subsidiary company W. D. and H. O. Wills of Woodbines, Embassy and White's fame, which was founded in the city in the 18th century. In spite of Imperial's substantial diversification into food and packaging during the 1970s, tobacco still made the largest contribution to the group's profits in the past financial year.

Confectionery and paper and packaging are two other industries which are still very important in the local economy and which stem from Bristol's colonial and imperial links in the past.

The major manufacturing facilities of British Aerospace and Rolls-Royce at Filton and Patchway on the other hand owe their origins to the pioneering exploits of the Bristol Aircraft Company at the beginning of the century. Even so, it was entirely fitting that the city which built the first iron-hulled steamship in the middle of the last century—SS Great Britain—should also have been involved closely in the latest leap forward in transport communications—spaceflight.

It was when faced with the rundown of the Concorde programme that Bristol first began to worry about its economic prospects. In the event, the rundown was achieved without having to resort to compulsory redundancies, but at the same time the Bristol area economy was hit by the generally more difficult economic climate which followed the 1973 oil crisis.

Anxieties were also increased by a halt in the influx of

insurance, banking and credit companies which came to Bristol from London in the late 1960s and early 1970s to secure cheaper accommodation and a more amenable environment.

The city was at one stage left holding around 1m sq ft of empty office space during a period when it urgently needed new employment opportunities to replace those being lost as manufacturing industry slumped down its labour requirements. For the first time in living memory, the rate of unemployment in Bristol in the mid 1970s rose above the national average. The city council became so concerned that it applied to the Department of Industry to be designated an intermediate development area.

## Comparisons

Yet, the anxiety was misplaced. The past two years have witnessed a sharp recovery in Bristol's economic fortunes. Today, the level of unemployment, though not ideal at 7 per cent, is more than 1 per cent below the national average. The area has not been suffering anything approaching the level of redundancies and closures currently affecting many other parts of the country. Among the few major shutdowns has been Robertsons Jams, which is closing with 700 redundancies. Another 700 jobs are going over the next 18 months at Spillers Avonmouth mill.

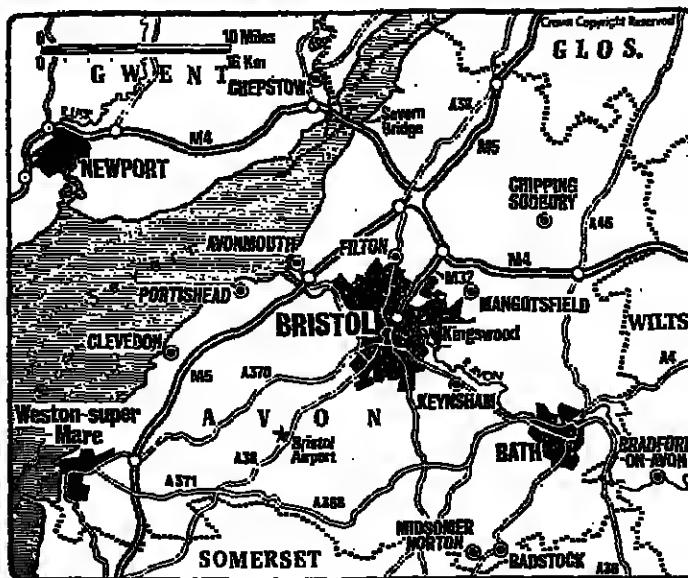
But more important is the amount of inward investment Bristol is currently enjoying, particularly by electronic and other high-technology companies.

The first big catch in the recent past was Sperry Gyroscope. But easily the most publicised has been Immos, the National Enterprise Board-backed micro-chip venture. Despite strong political pressure to locate its headquarters in a development area, the company insisted early last year on locating its research and development headquarters in Bristol.

If the Immos directors had had their way, they would also have built their first UK manufacturing plant for the mass production of memory products in Bristol also, and they said as much. In the event, the Government insisted that in exchange for pumping a further £25m into the venture, Immos must establish the plant across the Severn estuary in South Wales.

Other important newcomers in the electronics field include CEC's Marconi Avionics subsidiary which is constructing a major new plant at Nailsea, just outside Bristol, due eventually to employ some 1,300 in the manufacture of avionics equipment. Nexos, another NEB-backed venture to produce word processing equipment is another. So is Image Data Products which is manufacturing computer terminals. MI Aviation and Hunting Engineering, part of Hunting Group, as well as a significant number of smaller enterprises.

Clearly, the momentum stems partly from Bristol's traditional large stake in the defence and aerospace industry. This sector is staying buoyant, not least because it is not the victim of



either public expenditure cuts or declining markets.

Sheer proximity also makes the city high on the list of areas for expansion outside the so-called 'Berkshire' software belt.

There is evidence too that the watering down of regional development policy by the Conservative Government soon after it assumed office last year is also having a beneficial effect as far as Bristol is concerned. Local industry too has rallied round. The Imperial Group has set up a new Chair of Microelectronics at Bristol University through an endowment of £500,000 over the next five years—an echo of the university's foundation 70 years ago, on a donation of £100,000 by H. O. Wills.

## New concerns

The large amount of immediately available office space left after the early 1970s property boom, has also proved a valuable help in attracting new concerns. The traditional division between office and industrial premises is crumbling, since new technologies demand high quality controlled environments for their activities and office rather than industrial accommodation is often proving more suitable.

Indeed at the present time, there is only some 95,000 sq ft of space available in the city for immediate letting. A further 320,000 sq ft are under construction. Work has also started on what Bristol has dubbed a 'technology park' to the north of the city near the intersection between the M4 and M5 motorways. Known as the Aztec West development, it has

been specifically designed as a location for high technology enterprises.

Despite Bristol's remarkable economic buoyancy, particularly when compared with many other parts of the country at present, the city is far from complacent. The local authorities recognise as a fact of modern industrial life it is necessary to keep up the momentum. The city council is out to win even more inward investment, particularly from overseas.

It has been exhibiting at the Hanover Fair and later this year, is launching a major promotion in California, aimed at persuading American companies to look at Bristol as an attractive European base.

Needless to say, the strong historical connections between Bristol and the New World will be emphasised.

Any complacency there might have been has been rudely shattered by the riots in the St. Paul's area of the city earlier this year. No one was more shocked at what happened than the Bristolians themselves. The reasons why it happened are still being chewed over, but the riots did throw into dramatic relief the fact that while Bristol generally enjoys an enviable prosperity, there are pockets of high unemployment in the deprived inner city area, particularly among young unskilled blacks.

Steps are already underway to provide new employment opportunities for the St. Paul's community. Two companies have already moved in to the area, and some new industrial nursery units are being built by the city council in conjunction with private industry.

## Growth in electronics industry

BRISTOL'S tradition of attracting high technology companies goes back many years. It started with the aerospace industry, with Rolls-Royce, British Aerospace and Westland Helicopters. Today, the emphasis is being placed on bringing microelectronics into the city to continue the high technology theme.

Many areas of Britain, especially those with high unemployment, have been trying hard to attract investment from overseas electronics companies. Despite the enticing grants and allowances of development areas, such companies are usually more concerned with the availability of the specialist staff they will need, plus the area's strike record, its communications links and whether or not the area will be a pleasant place for their staff to live.

Bristol, with its agreeable surroundings and proximity both to the South West coast and Wales, has proved extremely tempting to high technology organisations. Immos, the National Enterprise Board subsidiary, set up its headquarters and technology centre there for these very reasons.

The decision to move Immos's manufacturing plant to South Wales, rather than link the factory to the company's

technical centre and headquarters, was a sore blow to the area's hopes to become the 'Silicon Valley of the South'.

However, the city's council says that several large U.S. electronics companies are seriously considering investing in Bristol and the council adds that announcements of at least one U.S. company are likely to be made within the next two months.

Fairchild Instruments, which pioneered the development of the silicon chip in the 1960s, set up a technology centre in Bristol in 1979. Many companies have started by concentrating on design and research and then developed manufacturing facilities later.

## Expansion

During the past year three other companies have moved to Bristol, following the move by Immos to set up there. These are Marconi Avionics, Sperry Gyroscope and Nexos, another NEB company.

Sperry Gyroscope announced last year that it was setting up a guided weapons design centre, eventually providing up to 700 jobs, and Marconi's expansion at Nailsea, just outside the city, will employ 1,300 in avionics manufacture.

Hydroproducts, based in California, also announced its

intention to establish a 200-job plant to make underwater electronic detection equipment in Bristol. Last year, more than 40 small companies employing between 10 and 50 people moved into the area.

In addition, the highly-trained academics who are needed to 'fuel' a high technology industry are also provided by the Universities of Bath and Bristol. Recently, Bath set up a course for electronic engineers in conjunction with the General Electric Company. Bristol also has funding for research from industry.

As well as the large organisations, electronics engineers can find interesting employment with many small companies which have been set up to serve the larger ones.

For example, Imagedata was recently established to manufacture a new product, called the Image data tablet, which is used in the production of drawings for engineering.

SAC Consultants employs 400 people to carry out design work for both the aerospace and electronics industries, while Newman Controls makes the printed circuit boards used by companies to hold electronic components.

There is a host of other small companies with a very high technology base which

have found that they can thrive in Bristol.

Another company, Electrotech, designs and manufactures semiconductor processing equipment. This is controlled by microprocessors and its use is to make more complex silicon chips such as microprocessors. Much of their products are exported to the main chip making centres in Japan and the U.S. Its sales now run into millions of pounds a year.

## Expertise

Many companies in the Bristol area have built up expertise in electronics as a necessary adjunct to their main business. John Godwin Warren Engineering, which produces control barriers for car parks and parking meters is a typical example as is Strachan and Henshaw which makes mechanical handling equipment.

While the electronics industry is no hedge against the worldwide recession, it is an industry which still manages to grow, while the more traditional industry of steel, shipping and car manufacture shrink with each passing year. It is little wonder, then, that Bristol, along with other regions in the UK, are pinning their future on this growing sector.

Elaine Williams

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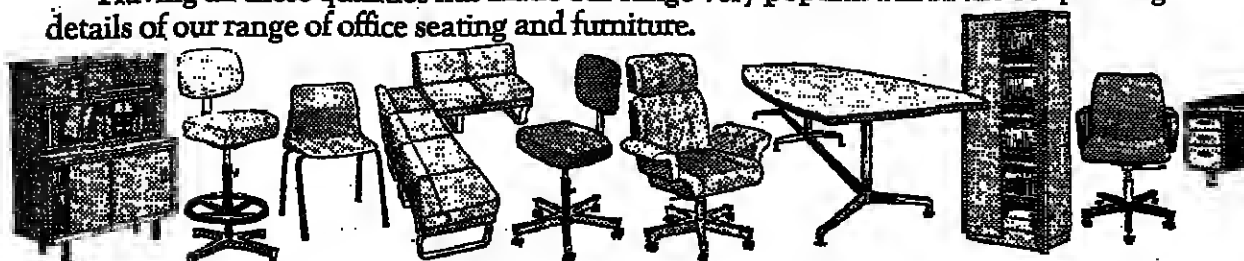
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## BRISTOL II

# Long involvement in aerospace

BRISTOL HAS had an heroic time in its 70 years of involvement with aerospace, or aeronautics as it was probably first known.

The Boxkite, the Bristol Fighter, the Blenheim, the Beaufighter, the Blenheim, the Buckingham, the Buckmaster, the Brigand, the Britannia, the Bombay and of course the Brahazon are among the most famous of older generations of aircraft from Bristol that helped save the nation in time of war and established the city as the definitive home of Britain's aircraft industry.

It is no surprise then that the city and its surrounding communities has epitomised, like no other, the glories and the heartaches to be gained and borne from an intimate involvement in aerospace, that most ethereal and exciting of man's 20th century industrial endeavours.

The city's involvement with aerospace goes back at least to 1910. It was then that Sir George White, the Bristol-born millionaire pioneer of electric tramways, branched out and upwards to start the British and Colonial Aeroplane Company.

Sir George could have had no idea that his initial £25,000 investment of family funds would lead, two generations later, to commercial supersonic flight and a "Concorde" of co-operation in aerospace between Britain and France, or more accurately between Bristol and Toulouse.

Nevertheless, Sir George realised from the start that benefits were to be gained from Anglo-French co-operation. Within months of setting up

Bristol's first aircraft company he had signed an agreement to make the French designed "Zodiac" aeroplane under licence.

The now legendary Bristol innovative imagination in aerospace design came to the fore, however, just before the first world war in the shape of the Bristol Boxkite. This was based on designs from a Frenchman again, but Bristol claimed the Boxkite as the world's first military aircraft.

The successes of later years up to and beyond the second world war have developed into a unique type of industrial folklore for Bristol. But in no sense does the aerospace industry in the area today dwell on past successes.

### Resilience

The reactions of the aerospace industry in Bristol to the impending end of production of Concorde — which finally finished last year — illustrate well how resilient and flexible the local aerospace community and its main companies have become over the 70 years of Bristol aerospace.

British Aerospace and Rolls-Royce are the two main aerospace companies in Bristol today. The companies now have a widely diversified range of products, spreading commercial risks and helping to ensure that dips in the various trade cycles affecting these products do not coincide too often.

But as the Concorde programme demonstrated, it was not always like this.

The development of the conceptual ideas about a supersonic airliner into a reality in engineering terms was largely the responsibility of the British Aircraft Corporation in Bristol — the predecessor to the state-owned British Aerospace — and Aerospatiale, its French partner.

The project was so vast — and at a total shared between Britain and France of over £1.2bn so expensive — that in the early to mid-1970s it dominated aircraft and engine development at Bristol, to the virtual exclusion of all else.

British Aerospace now accepts that the aerospace community in Bristol was totally dependent on Concorde. So it came as a shock when Mr. Anthony Wedgwood Benn, Industry Minister at the time, made noises about re-examining the future of the project.

A cold wind blew through Filton, BAC's home in Bristol, and at Patchway where Rolls-Royce had planned its hopes on long production runs for its Olympus 593 Concorde engine. BAC went so far as to say that without Concorde, the Filton works would have to close.

Concorde had dominated design, production and engineering skills at Filton and Patchway for a decade and 11 days by the time the last British production Concorde flew from Filton on April 30 last year.

But few employees had regrets. At the peak of work on Concorde in 1971 to 1973 employment at the Filton works stood at 6,500 staff. This gradually fell, through natural

wastage to about 4,200 people at the time of the flight of the last production Concorde.

Since then, employment in aircraft design and manufacture at Bristol has risen, and is set to go on rising, despite the absence of any one project in any way comparable in size or prestige to the Concorde programme.

British Aerospace now employs 4,850 people at its Aircraft Group factories in and around Filton. The state-corporation, which is to be partially nationalised under the provisions of the British Aerospace Act 1980, said it expects to boost employment to around the 5,000 level in the immediate future.

### Opportunities

The corporation is now actively seeking more skilled design staff, draughtsmen and machinists and is prepared to carry out some training if appropriate in order to get the staff it needs.

The pronounced expansion at Filton is in sharp contrast to industrial production in other sectors.

A range of projects is responsible for the uplift in fortunes, but British Aerospace said its BAE 146 four-engine, feeder jet airliner was fast becoming its most important project at Filton. This airliner has already been sold to a South American airline and an order for two more of the aircraft from a North American airline was announced at Farborough earlier this month.

The £10m order, including spares is to be delivered in November 1982.

By then British Aerospace has high hopes that mass production of the feeder airliner will be well underway, with consequent gains for Bristol, the production centre for the 146's main centre fuselage section.

The airliner's furnishings are also made at Bristol, providing work for a variety of skills.

Other work which has successfully replaced reliance on Concorde includes the conversion of the Royal Air Force's VC-10 fleet of nine aircraft into air-to-air refuelling tankers. Several years' work remains to be done on these aircraft and British Aerospace is also confident of continuing work for the U.S. Air Force in specialised maintenance work on its F-111 nuclear bombers.

British Aerospace's involvement with the Airbus Industrie consortium is also bearing fruit for Bristol. Filton works is heavily involved already in the

detailed design of fuel systems and wing boxes for the new, A310 Airbus.

Engineering gigs to hold the wing trailing edges for the A310 are also already being built at Filton.

Other work includes machining parts for the Tornado fighter bomber and for the U.S. F-16 fighter. The tail sections of the BAE 1-11 are also built at Bristol, and development work is continuing on a flying Concorde.

But aerospace at Bristol is not just about aircraft. The British Aerospace Dynamics Group employs 4,000 people in its Bristol Division, largely concerned with naval weapons. These include the Sea Dart anti-aircraft missile and Sea Wolf anti-missile.

Rolls-Royce employs 13,000 people in and around its Patchway factories, less than a quarter of the company's total workforce of 60,700 people. However, the Bristol division is currently playing an immensely important role in a number of

vast projects. Bristol is the main production centre in Britain for the RB 199 turbofan engine, which powers the Anglo-German-Talian Tornado and production of the 2,000 engines to be ordered is shared with Fiat Aviazione and Motoren- und Turbinen-Union GmbH, through the Turbo-Union partnership.

Rolls-Royce at Bristol is also making substantial progress on its supersonic version of the Pegasus jet engine now used to power the Harrier vertical take-off aircraft.

Work is also progressing on a new joint company, the company is building in a 50/50 partnership with Ishikawajima-Harima Heavy Industries, Kawasaki Heavy Industries and Mitsubishi Heavy Industries. The programme is administered by a new joint company, Rolls-Royce and Japanese Aero Engines Limited, and the Anglo-Japanese team is based at Bristol.

Lynon McLain



A long-term agreement being signed in Bristol, earlier this year, in which Rolls-Royce in Britain and Pratt and Whitney Aircraft in the U.S. will work together on the production of the British-designed Pegasus vectored-thrust engine. From left: Mr. Frank McAbee, P and W's division president; Mr. John Wragg, director and general manager of Rolls-Royce's Bristol factory; and Mr. Will Parker, vice president of Pratt and Whitney government products division.

## Dock areas transformed

THE RECENT decision by the Council of Europe to include part of Bristol's inner city dock development in its European Renaissance Year programme has given a reassuring boost to one of the country's most encouraging projects of its kind.

More than 270 acres of land and water in the central area of the city — once an international port in the historic days when seagoing commercial vessels were small enough to use it — are now being transformed from virtual dereliction into useful space for business, residential and recreational use.

The task of ensuring high standards of development has been facilitated by the fact that the area is owned by the Bristol City Council, which in the past operated the docks. Now, by means of a combination of public and private funds, much of the area has been transformed from redundant space to useful amenities.

The area to be featured in Renaissance Year is the St. Augustine's Reach section of the docks, which extends right into the city itself. It includes hotel and office buildings, the Arncliffe arts centre which has

been housed in the old tea warehouse, and on the other side of the water, the exhibition centre. This is the venue of Bristol's annual wine fair, now recognised as one of the premier events on the world wine calendar, and estimated to attract at least £10m in trade each year. Another 100,000 people from all over the world attended the event this year.

The promotion of tourism is another factor which is central to the development of the dock area in general and, for this reason, Bristol's heritage of sea trade and industrial advancement is being exploited. The Industrial Museum and the National Lifeboat Museum are important in this respect; furthermore The Great Britain, the first screw-driven transatlantic vessel, has great potential as an attraction.

The leisure aspect of the development is to be centred around the Baltic Wharf, where many activities such as sailing and wind surfing are becoming increasingly popular, and efforts are being made to improve the look of the docks with replacement and painting of bollards, planting trees and illuminating

of buildings.

One of the major sporting attractions of the year is the annual power boat race in the docks, which now attracts up to 250,000 people to watch the boats perform along one of the toughest courses in Europe.

Another aspect of development is the attraction of light industry, and efforts are being made to provide "nursery units" or small premises where new companies can begin under favourable conditions.

### Development

One of the major remaining areas of land is Canon's Marsh, a 16.4-acre site adjoined on two sides by water, which is earmarked for early development under council supervision.

A number of possible uses of the land have been put forward by the council, among them sports facilities such as swimming baths, a conference centre, multi-storey car parking, shops, hotels and restaurants. Residential development is also being considered, with the most desirable final outcome being a mix of many if not all the alternatives. Much of the development on

the site will be by private companies, under the watchful eye of the council, which is anxious to maintain the right mix of activities that will attract revenue to the area, yet not spoil the character of the docks. Another alternative for the Canon's Wharf would be a world trade centre, although with the council now under pressure to reduce spending, development will rest largely on the initiative of the private sector.

An architectural competition has been held to gather proposals for a housing development at Baltic Wharf, but it appears that this may be delayed indefinitely due to public spending cuts. But some prestige private development is expected to go ahead, achieving the aim of increasing residential use of the area.

Bristol is increasingly seen as an important regional centre and a focal point for tourism, so the importance of the docks area is very considerable, and private enterprises such as floating restaurants, pubs (such as one being converted by a leading brewery now) and other attractions are actively encouraged.

The council points out that although various plans were drawn up for the development of the docks, they have evolved rather than been moulded in a particular way. One of the council's main aims, to avoid further deterioration of a potential asset, has now been achieved, and the remaining danger is over-development.

Another objective has been to create more jobs in the central area of Bristol — and this, too, has been achieved in a limited way through the growth of "waterside business", such as shops and leisure amenities.

However, the speed of the central docks development is certain to be slowed down by the economic recession. New enterprises in the retail sector are likely to be approached more cautiously, and property developers who are faced with high interest rates and an uncertain outlook may also be more hesitant.

Although the council is anxious to see improvement of the area continue at a steady rate, a slight pause in the fairly rapid pace of development may give more time for thought about the long-term future of the docks, which seem likely to be transformed from a problem area into a great natural asset for the city.

Lorne Barling

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### PROFILE: THE J.T. GROUP

BRISTOL'S merchant venturing tradition is far from dead. The J.T. group was founded as recently as 1961 by two builders with £100 of starting capital and an idea. Today, it is a well-established Bristol-based group with a turnover of £30m and diversified interests in leisure, property, development and building services, as well as construction.

The idea of Mr. John Pontin, the present chairman and co-founder of the company was a "design-and-build" operation. Instead of being content with the traditional practice, where a building company is merely one of a number of contractors involved in the development of a property from conception to occupancy, the company worked towards establishing a single organisation offering a comprehensive service.

This integrated approach is still the heart of the business. Using "in-house" architects, planners, engineers, surveyors and other professionals J.T. has all the management and expertise needed for a building contract — not merely under one roof, but in the same open-plan office.

The benefits flowing from the improvement in communications so created are considerable. Routine building problems, which might take days of correspondence to resolve by traditional methods, can be settled by a few yards' stroll to another desk and a few minutes' chat.

#### Approach

Mr. Roger Mortimer, the design director, is in no doubt that this integrated approach is finding increasing favour among potential clients, particularly local authorities — not least because it puts all the responsibility firmly into one court.

J.T. is willing to build a customer the cheapest possible shed, but generally the company aims at the market where the customer is prepared to spend above average amount because he wants a quality building which will appreciate in value, provide a good environment and benefit in the longer term from lower maintenance costs.

A prize contract recently won by the company, against stiff competition from other UK contractors, was the design and construction of the GEC group's Marconi Avionics factory at Ntisea, just outside Bristol.

J.T. had already shown what it could do in this field by designing and building Eurotherm's new 50,000 sq ft complex at Worthing, for the production of industrial electronic control equipment. The buildings were officially opened by the Duke of Edinburgh earlier this year.

In 1975, with its reputation firmly established, J.T. joined forces with Staverton Contractors, a Totnes-based building company established some 50 years ago by the Dartington Trust. Under the terms of the deal, Dartington took a minority stake in the J.T. Group, which in turn has continued to run Staverton as a separate business offering a general building service for all types of work, including "design and build".

Firmly established as one of the leading contractors in the South-West, it has a turnover of about £7m.

Associated with this bread and butter business is a specialist building computer service, started eight years ago to develop the applications of computer techniques to the building industry. This work has proved particularly successful in the analysis, design and automatic drawing of reinforced concrete structures. Software packages have been leased or sold not only to other companies in the UK building industry, but also in the Netherlands, Nigeria and Kenya.

During the same year it took over Staverton, the J.T. Group decided to take a direct plunge into the overseas building market by joining the throng of building and civil engineering firms going to the Middle East. It investigated the potential opportunities in a number of Middle East states, including Iran, and eventually plumped for what has been a very suc-

#### Diversification

J.T. embarked upon its diversification into the leisure industry in 1973. It took the opportunity to acquire the Ash-ton Court Country Club, in Bristol, which is reckoned to be the largest private sports and leisure club in the country, and the well-known St. Pierre Golf and Country Club, Chesham, where some leading tournaments are held.

Both facilities have been developed considerably. Ashton Court was recently turned into a hotel with the addition of accommodation and other facilities, and renamed Redwood Lodge; the company has also built, from scratch, three other sports and leisure clubs/hotels at Swindon, Tewkesbury and Meon Valley, near Southampton, and is on the look-out for similar investment opportunities.

Whitbread has a 37 per cent share in some of the clubs but apart from the Dartington Trust's stake, the company is otherwise controlled by the directors and family trusts.

The need for additional bedrooms at these facilities led the group a year ago to pioneer another enterprise, the factory construction of modular bedroom suites. These are fully-equipped hotel bedrooms, down to carpets and curtains, which can be delivered in the back of a lorry and—once the foundations are prepared—can be installed by crane at the rate of 12 rooms per day for a hotel wanting extra bedrooms.

#### Creative blend

Indeed, the company remains as firmly committed as ever to excellence in design and to the creative blend of commerce and art, an attitude which is epitomised by the group's Bristol headquarters. Located since 1976 in a classical 19th century warehouse in the inter-city docks area, J.T. carried out the work of completely gutting the interior and designing two physically separate premises within the same shell at a total cost of £1.1m. The building now has 40,000 sq ft of prime quality office space, occupied both by the group's head office staff and by another J.T. venture, Avon Business Services. This offers small office suites, with optional secretarial services, on short or long leases for businessmen wanting temporary accommodation. It is a kind of "office hotel," and has proved very successful.

The other section of the building is occupied by the Arncliffe Gallery, which also has a public performance area for cinema, music and dance, a restaurant, bars and ancillary accommodation. It is not surprising the city council has been happy to hand over an even more ambitious project: the restoration of two large Victorian warehouses known as the Watershed, which overlook the waterfront in the heart of Bristol, for mixed commercial and arts use. The ground floors are being developed as specialist shopping precincts, while the first floor will house a wide variety of cultural facilities which will be leased to the Bristol Arts Centre at a peppercorn rent. It promises to be yet another notable feather in the J.T. Group's "design and build" cap.

Robin Reeves

# Problems over port and airport plans

BRISTOL IS unusually well-endowed in having both a municipally-owned port and airport. But in contrast to most other sectors of the local economy, both are facing problems. The Bristol port authority's docks complex at Avonmouth has run into a major financial crisis; Lulsgate Airport, to the south of the city, is in need of substantial new capital investment if it is to fulfil its potential.

The port's difficulties stem from the decision by the city fathers in the early 1970s to press ahead with the construction of a brand new dock in the west back of the Avon, capable of taking modern container ships up to 70,000 tons dw—since named Royal Portbury.

The project was controversial from the first. And to the extreme irritation of Bristol, it was blocked by the 1964-70 Labour Government because of fears of the competitive effect on traffic through the South Wales ports. But the City Council regarded the investment as essential if Bristol was to stay in the big ports league. Under Mr. Heath's Conservative Government, the go-ahead was given to build the first enclosed dock to be constructed in Britain since the Second World War.

Arguably, if Royal Portbury had been started and completed

earlier, it would now be well on the way to profitability. In the event, the actual construction period coincided with the dramatic upheaval in the national and international economic climate which followed the 1973 oil crisis. Not only did this inflate the serial cost of the project to £40m by the time Portbury opened for business two and a half years ago, but it also made the task of winning sufficient extra business for the new dock for more difficult.

#### Cost burden

Initially, the financial burden looked manageable. But in the financial year which ended last March, while operating revenue rose by over £2.5m to nearly £20m, losses soared from £5.8m to £7.1m. By all accounts the position has deteriorated still further since then. It has been reported that losses in the first quarter of this year were no less than £2.8m, exceeding expectations by over £1m.

Bristol ratepayers are already paying 10p in the pound to cover the deficit, and it is forecast that this figure could rise to 15p in the pound by next year. Bristol Council therefore decided at the beginning of this month to swallow its civic pride and seek assistance from the

private sector to ease the financial burden.

Portbury may slowly be gaining traffic, but the growth is insufficient when set against the mounting interest charges on the capital invested. These charges, in turn, are preventing the council from developing the dock to its full potential. In the words of Councillor Claude Draper, the City's Labour leader: "The Bristol rates account can no longer be a vehicle for the port's development."

So far, only two of six possible berths are operational. As a result, dredging costs and other overheads are being carried on too narrow a base. The cost of developing each additional berth is put at around £8m—capital which Bristol simply does not have even if it was sure of winning the additional trade to justify the investment. The Council is hoping that private sector capital will be prepared to meet the challenge.

There are those who say Royal Portbury is a white elephant which should never have been built. It has had labour problems and there are complaints among shippers of slow turnaround times. On the other hand, Portbury's proximity to the M5 motorway, and the ample land immediately

adjacent to the dock for associated developments, gives the complex a rare advantage among British ports. It also offers important attractions for the private investor prepared to take a long-term view.

The investment attractions for outside capital could be increased if Bristol is successful in persuading Mr. Michael Heseltine, the Environment Secretary, to group the port of Bristol in some way with south Wales ports, in order to give it access to EEC financial assistance. Portbury is ineligible for EEC aid at present because it is outside a development area.

By contrast, the problems of Bristol's municipal airport at Lulsgate stem from under-investment in the past. Although traffic has grown from 33,000 passengers in 1967 when Lulsgate first opened to more than 270,000 last year. But unlike its rival airport at Cardiff, across the Severn estuary, which invested in a major new terminal building in the early 1970s, Bristol has spent relatively little to update its facilities. As a result, it was dismissed some two years ago when Cardiff was officially designated as the main regional airport serving the South-West.

Stung into action by the Government's decision, the City Council set in train a compre-

hensive feasibility study by Sir Alexander Gibb and Partners of alternative development plans for the airport, up to 1986. This showed that a minimum of £2.5m would need to be spent between now and 1983 simply to keep the airport facilities up to scratch and allow it to handle more than one full 'plane-load at a time.

But to fulfil its maximum potential, far larger sums will need to be spent. An essential prerequisite is the extension of the runway, which in turn would necessitate re-routing of the A38 Bristol-Bridgewater road at a cost estimated in the feasibility study at between £1.1m and £2.6m according to the particular project adopted.

#### Alternatives

Beyond this Lulsgate could have either a terminal extension or a new terminal building for passengers, freeing the existing facility for airport offices, general aviation and freight business. On last year's figures the cost works out at either £3m or £12.5m, giving Lulsgate the capacity to handle up to 1.3m passengers annually.

On present usage, the expenditure may seem excessive. But as the airport's new general manager points out, a recent

Civil Aviation Authority study showed that some 1.7m passengers using airports in southern England such as Luton and Gatwick, are drawn from the South-West. This suggests ample scope for increasing holiday charter traffic from Bristol.

As for scheduled flights, Dan-Air has stepped into the breach left by British Airways' withdrawal from many provincial routes. Lulsgate has therefore retained its range of domestic and continental air links, and the signs are that they will be marketed with more vigour.

Freight traffic, too, is developing very vigorously. Last year, the amount handled increased by more than 60 per cent to 4,250 tonnes. This year, the quantity is up by a further 40 per cent. Work has just started to increase handling and storage space at the airport by some 50 per cent to meet the additional traffic.

In the circumstances, Bristol feels justified in looking very seriously at the possibility of expanding Lulsgate, and the costs are now in the process of being updated. But it remains to be seen whether, in the present economic climate and after Portbury, it can find the necessary resources.

Robin Reeves

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# Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CAINE

## DESIGNING

### Models the product in detail

APPEARANCE, suitability, feel, ergonomics, mechanical stability—these are all factors of design that can make or break a product and most manufacturers, particularly of consumer items, can spend a good deal having models made, often by hand.

Developed by Lucas Logic of Warwick is a specialised cutting machine which, working in conjunction with a computer aided design system, will cut precisely the designed shape, full size or scaled, in wood or polyurethane foam.

The designer first sits at a screen and keyboard on which he can construct the shape using three dimensional graphics that allow him to rotate and manipulate the image until he feels confident to cut the model. The x, y and z data held in the associated computer is then fed directly or via a paper tape to the cutting machine console which generates the appropriate instruction for the milling head of the model maker.

Lucas originally developed the unit to help with the design of vehicle lamps. When used

with the company's Surfset software the designer can proceed in a few days from the first concept of a component shape to an accurate model. However, other CAD programs can be used provided they produce data in the correct format for the microprocessor-based control system.

The cutter unit, completely enclosed in slanting front housing, is essentially a three-axis milling machine for light duty. Time to produce a model is in the two to three hours region. Maximum size of the material blank is 300 x 300 x 600 mm.

One machine has already been sold to Philips where it is being used to make styling assessment models and prototypes of forthcoming generations of electrical and electronic consumer products.

Price of the new machine is about £35,000, but there is a machine at Warwick which can be used as one of the services offered by the Lucas Logic computer bureau.

More from the company at Welton Road, Wedgwood Industrial Estate, Warwick CV34 5PZ (0926 497733).

## METALWORKING

### Gets the right balance

VIBRATIONS in machine tools can result in low quality or scrapped work, lost time and shortened tool life. The wheels of precision cylindrical grinders must be accurately balanced to work well, and sophisticated equipment is sold for permanent attachment to individual machines to monitor and correct imbalances of these grinding wheel assemblies.

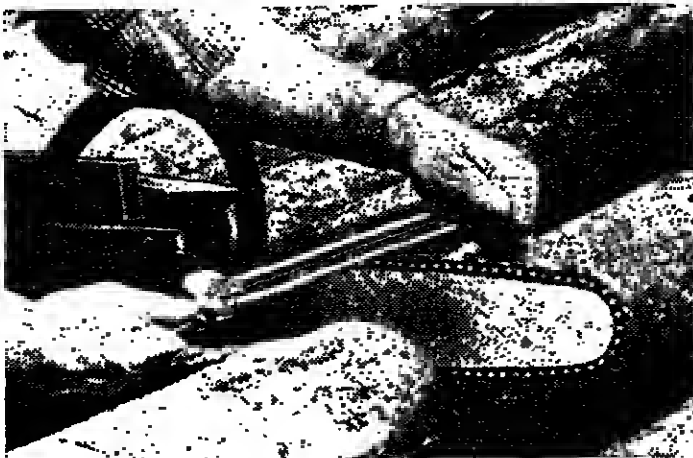
What is claimed to be a much less expensive solution is available from Matchless Machines of Horsham, West Sussex (0403 60371). This is portable equipment that can be used to balance any precision cylindrical grinding machine or surface grinder in about a minute while it is running, says the company.

Known as the Balatron 2003, it has been imported from Switzerland for use with

Studer precision grinding machines, but is now to be marketed for general use. The equipment consists of a vibration sensing unit, fitted with magnets to attach it to the grinding head, an amplifier with analog indicator and a hand-held electro-magnetically driven sintered diamond abrading tool for removing material from the side of the grinding wheel to balance it.

To operate the equipment the vibration sensor is fitted to the grinding head and the amplifier indicator tuned to the speed of the grinding wheel. The hand-held unit is then placed gently against the side of the wheel and the diamond abrading tool is controlled by the vibration sensor so that it automatically removes material from the wheel at the point which requires to be lightened.

Using the "Chainsharp" chainsaw sharpener in the woods. The device, manufactured in Germany by Pferd and available through Indusmark of London (01-353 8601), is reckoned to halve the time taken to sharpen a saw by compressing the sharpening of the teeth and the depth gauges into one operation. There is an integral guide to maintain the optimum cutting angle of 35 degrees and guidebars to maintain the correct distance between tooth and gauge. It costs £9.95 plus VAT.



## SAFETY

### Saves breath and lives

MORE AND more people need to work or venture underground as big cities become honeycombed with subterranean tunnels, sewers and man-high channels, and the exploitation of under-the-ground caverns for storage areas grows all over the world. Men working on the oil platforms may have to spend hours investigating potential danger in the legs of rigs—and there is the constant risk of fire above and below the ground.

All these situations present hazards to personnel who may become trapped in a confined area where access to fresh air is geographically or inherently limited.

Learning from the unfortunate consequences of a long history of mine disasters and the vigilant concern of the National Coal Board, a company has produced what is said to be the world's first long duration rescue breathing apparatus to be approved in accordance with the very stringent British Standard specification.

Low in weight, easy to carry and comfortably harnessed, the equipment is called the AGA Rescue oxygen breathing apparatus and will allow the wearer several hours (up to about four) of uninterrupted breathing in a contaminated

atmosphere or in firefighting and can even be used under water in the case of sudden flooding of a passage or channel. Man's adrenalin rises when his senses are beleaguered by danger and among the most important features of this apparatus are the very low breathing resistance and the carbon dioxide absorber which keeps the carbon dioxide content in the inhaled gas at a minimum level even after several hours. Special cooling devices also keep the temperature of the inhaled gas comfortably low.

The apparatus is adapted for use either with a full face mask with speech diaphragm and telephone connection or a mouthpiece—very important to transmit verbal warnings or instructions to others involved also in the rescue operation. Should the wearer forget to open the cylinder valve, a warning device will create a clearly noticeable resistance and a whistling sound during exhalation.

If the user has to pass through narrow passages he can easily and speedily remove the apparatus and carry or push it in front of him while he is still breathing in the apparatus.

Should he wish to rest while wearing the apparatus, or find

himself in a trapped situation, he can then close the cylinder valve, continue breathing in the apparatus and re-open the valve when he feels that the breathing bag is being squeezed. In this way it is possible to avoid waste of oxygen.

At complete rest, this method will increase the service time by several hours, says maker AGA Spiro, Horton Close, West Drayton, Middx. (West Drayton 47771).

The whole rescue set is enclosed within a glass fibre reinforced plastic case mounted on a harness. Overall dimensions are 500 mm long, 460 mm wide and 175 mm deep. With the oxygen cylinder fully charged, the entire apparatus weighs only 18 kilos.

The whole package is not a "just in case" safety unit like the wall-mounted home fire extinguisher. Apart from being a constant standby for rescuers in potentially dangerous areas throughout industry and down the mines, it will undoubtedly become a necessary part of day-to-day maintenance equipment on the oil rigs, in chemical plants, or wherever man needs to be assured that he is not going to lose his breath.

DEBORAH PICKERING

## HYDRAULICS

### Digging into a new market

JCB, the excavator leader maker, is challenging the traditional market in air operated tools and small air compressors with a new range of portable hydraulic power packs and tools. JCB's entry into this market follows its acquisition in May of Bredon Hydraulics from the Bullough Group. Bredon now operates under the name of JCB Hydrapower, manufacturing the new "Hydrochief" range of

four portable hydraulic power packs and tools at its plant in Tewkesbury, Gloucestershire.

The range, led by the "Solite"—claimed to be the smallest and lightest hydraulic pack on the market—has been launched in the UK through the JCB network of nearly 50 distributor outlets and JCB Service will introduce it into overseas markets during the next few months.

"Our research showed that there was clearly a place in the market for portable hydraulic power packs," said Mr. Neil Allen, director of JCB Service, in London last week. "They are small, easy to handle and quite a lot cheaper than their air equivalents; and as a product group they fit in well with the existing JCB distributor network."

JAMES McDONALD

## IN THE OFFICE

### New Facit equipment

"DAISY WHEEL" is the latest word in electric typewriter technology, and the Swedish company Facit, whose British base is in Maidstone Road, Rochester, Kent (0634 401721), has now introduced its own version of this simple, lightweight device, which is of American origin.

Facit claims that its new 8000 daisy wheel electronic typewriter has been designed as an easy-to-use office machine providing all essential functions. The plastic daisy wheel carries 107 characters and the machine has three tabulator memories which can be programmed for different tabulator settings for recurring letters, table and form layouts.

The pre-set tab level permits the required programme to be selected while still allowing normal tabulation. The reverse tabulation enables the typist to go past the left-hand margin for typing headings to the left of the set-left hand margin. The machine also has a decimal tabulation facility to ensure that the decimal signs are correctly aligned in a column of figures.

Type impression selection enables the typist to control the pressure of the print. The machine senses the impression and the electronics then adapt individually to each character on the daisy wheel. Double vertical spacers allow the typing position to be shifted up and down when required.

The Facit 8000 provides automatic underlining of single words or whole lines; electronically-controlled character shifters with indication light; extra characters accessible with a code key, and automatic forward feeding of the paper.

Facit has also introduced a new family of alphanumeric video terminals, the 4410, 4420 and 4430. The 4410 has a combined keyboard and display in one cabinet. The 4420 and 4430 have separate low-profile keyboards and non-glare displays with tilt and swivel movements. The 4430 is compatible with the Digital VT-100.

The latest additions to the Facit range of desktop calculators are the 2255 and 2205. Both have 12-digit capacity, the 2205

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with print only and the 2255 with print and display. A new feature on both machines is the MU ("mark-up") key, which calculates gross profit margins at a single stroke.

The office furniture side of Facit has introduced a new "optimum posture" chair designed for maximum comfort and efficiency. It can be quickly adjusted with a single control moving the back rest up or down and backwards or forwards.

Seating height is adjustable manually or by an optional gas cartridge mechanism, either of which can be used when seated. Castors and armrests are optional and there is a choice of nine colours in a 24 per cent wool fabric for the seat.

## DATA PROCESSING

### Differing machines can talk

A PROBLEM that can beset one company which has merged with another or has perhaps, allowed its operating divisions to go their own way with computer purchase, is that of the differing communications protocol between mainframes or terminals of different manufacture.

Although they may use the same communications transmission technique (RS 232 for example) they will probably use different protocol (that is,

the way in which the data is arranged, acknowledged and so on).

Software modifications in say, a terminal addressing a mainframe, or even intermediate tape transcription are possible, but these are either expensive, cumbersome or both and a better solution according to Mator of Hove, Sussex, is to employ its new protocol converter which is based on a suitably programmed micro-processor.

### Colour in their sheets

COLOUR IS the latest ingredient in the information mix which promises to make data more appetising to senior management, and a new company, Intelligence UK, intends to profit from the trend.

It is marketing a new U.S.-made microcomputer, the Intelligence Executive, which features colour graphics—what makes the package different is that it is also offering a colour graphics bureau service to businessmen on the back of the oew machine.

Aimed at senior executives who need data compressed and clear, the service is based on the Intelligence microcomputer and a camera which can make

high quality colour copies of information on the screen.

The bureau will accept data in tubular form and return it in a specified format—bar charts, line graphs, scatter graphs and so on, as 33 millimetre slides, 8 inch by 10 inch prints over overhead transparencies. The cost is about £4.50 for a colour slide, which according to Intelligence is cheaper than using a graphics department.

The microcomputer will be launched later this month at £5,800 complete with eight inch floppy disc drive but without printer.

Intelligence is already at work on its own all-British microcomputer. More on 486 3978.

The programming allows virtually any two computers or terminals with communications interfaces to be successfully connected together. Both synchronous and asynchronous protocols with hand rates of up to 9,600 are handled with ease.

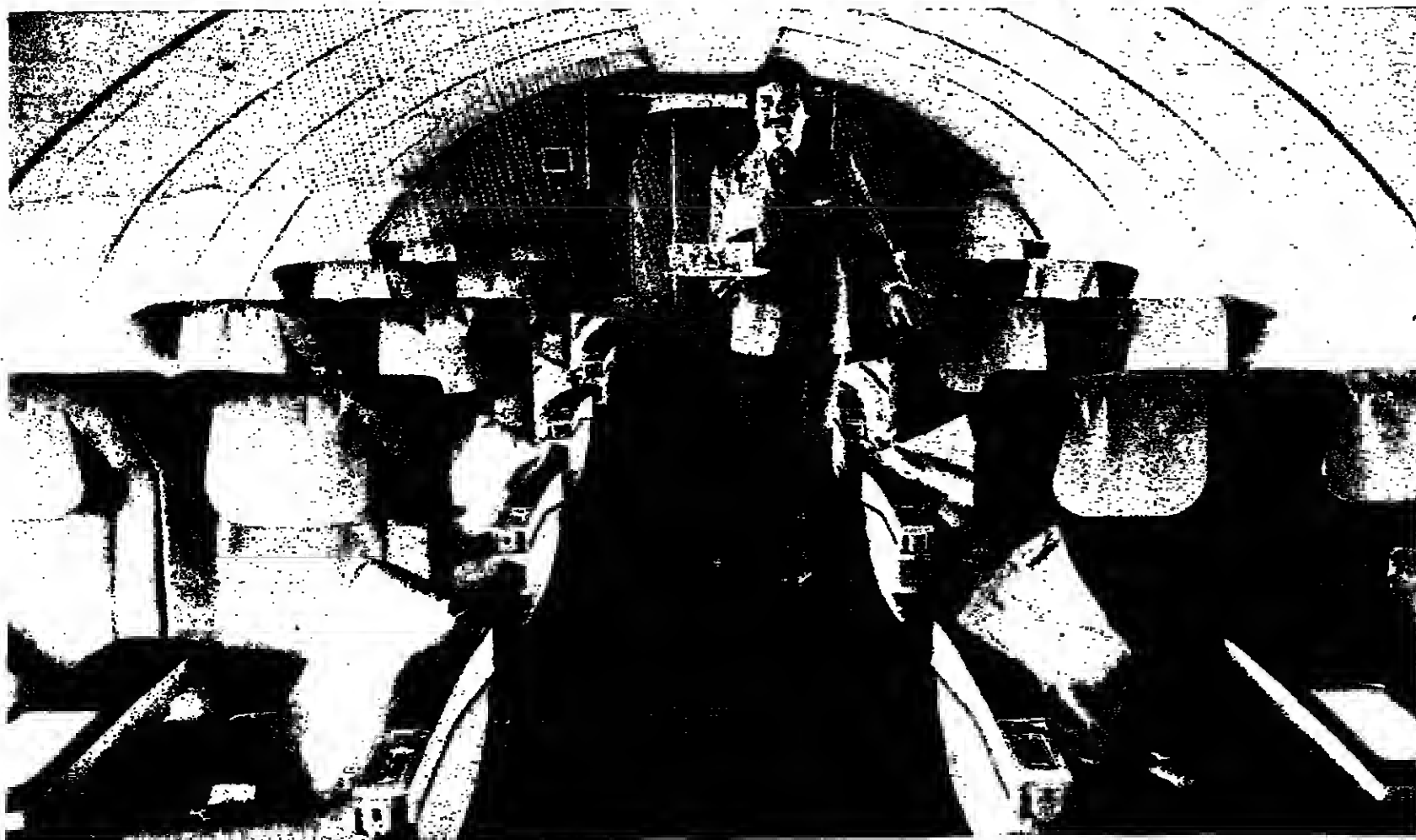
The converter is fully compatible with the Post Office telecommunications system and can be used in any network deploying modems.

An interesting point is that, since the converter is software controlled, it may be programmed for tasks other than simple protocol conversion. The contents of messages may be modified as desired—for example display screen layouts may be re-formatted, character code sets can be changed from ASCII to EBCDIC, or data can be re-blocked.

This small 15-man company, started in 1976, has already reached a turnover of nearly £50m and has started up Mator Inc. in California. It has already done a good deal of micro work far or in conjunction with such companies as BASF and PRIAM in connection with disc control.

More from the company at Willett House, 12, Grand Avenue, Hove, East Sussex. GEOFFREY CHARLISH

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FINANCIAL TIMES

## Eurobond Quotations and Yields

AIBD

THE ASSOCIATION OF INTERNATIONAL BOND DEALERS

AT 31st AUG. 1980

The Association of International Bond Dealers (AIBD) compiles current market quotations and yields for Eurobond issues. These quotations and yields are published monthly by the Financial Times. The Association's prices and yields are compiled from quotations obtained from market-makers on the last working day of each month. There is no single stock exchange for Eurobonds in the usually recognised sense—secondary market trading business is done on the telephone between dealers scattered across the world's major financial centres. Membership of the AIBD (which was established in 1969) comprises over 500 institutions from about 30 countries.

## Eurobonds in August

BY FRANCIS GHILES

AUGUST marked the turn-around in U.S. interest rates which had been slowly declining since March. As a result, prices on the Eurodollar bond market suffered. This weakness eventually split over into the hard currency sectors leading to the postponement of three Deutschmark Foreign Bond issues in Germany during the last week of August and a generally unstable Swiss Franc market. August also witnessed the re-

opening of one of the smaller bond market sectors: the Kuwaiti Dinar sector. The rise in the six-month Eurodollar interest rate by around 3½ per cent to 12½ per cent at the end of the month was accompanied by figures on the U.S. economy which were not to the bankers' liking. A sudden increase in Money Supply, poor wholesale price figures and a strong recovery of durable goods orders suggested that the recession might

be bottoming out before inflation is overcome. The record increase in the Leading Economic Indicators gave little hope for a change in the trend. As dealers became apprehensive about short-term interest rates, secondary market Eurodollar bond prices began to slide. The sector lost an average of 4 points over the month; 1½ points during the last week. The number of new straight dollar issues slowed to a trickle, of which only one was priced

realistically. Morgan Stanley's "unlucky" these "Deferred Purchase Bonds" were caught in a declining market and were quoted at around 21 at the end of the month, a decline of 16 per cent.

Lead Managers were forced, by market conditions, to look at other means of raising funds. The Floating Rate Note, thus became increasingly popular and of the \$1bn or so of paper issued in the dollar sector, \$530m was raised in Floating Rate Note form.

Of these, the largest issue was for the Italian concern, Ferrovie dello Stato, which launched a \$250m issue at the usual spread of 4 per cent over the London Interbank Offered Rate (Libor).

With the prospect of no new straight dollar issues for some time, Credit Suisse First Boston and UBS (Securities) both devised alternative methods of raising funds for their clients on the Eurodollar market.

CSFB used a method akin to one used on the UK gilt edged market. The borrower, Alcoa of Australia, raised \$80m through an issue of partly paid bonds. Of the total amount, 25 per cent was paid by investors in August with the remainder due in January. The difference between this method and that used in the UK gilt market is the timing—usually much shorter for gilt issues. Unfor-

gradually dwindled after the announcement by the Bundesbank that it would not be lowering German interest rates. This decision disappointed market participants who believe that since the economy is slowing some sign of slowing down, interest rates should be reduced fairly soon.

The calendar agreed by the German Capital Markets Subcommittee amounted to around DM 1bn for August. Three of the scheduled issues were postponed late in the month but other unscheduled issues brought the final total for the month to DM 1.15bn.

In the Swiss Franc foreign bond market, prices seemed to sympathise with the upward trend in U.S. dollar interest rates and fell by an average 3½ points over the month. Two new issues were launched at the surprisingly low coupon level of 5½ per cent. Although the terms on both issues—for Philips NV and Bayer—seemed rather aggressive, the issues were successful because of the rarity of these high quality names in this market. Otherwise new issues were usually offered with coupons around 5½ per cent.

In comparison with other sectors of the market, the French Franc bond market remained strong throughout the month. The market was buoyed

by the French Franc and the firmness of French Franc rates: also by indications that the budget for next year would be as conservative as this year's. The only new issue during August, FF150m for Aeroports de Paris, through CCF was very successful.

The secondary market for Sterling bonds suffered heavy losses early in the month after the worse than expected UK Money Supply figures. Money Supply had increased by an estimated five per cent for the month to mid-July and dealers marked prices down sharply. The only new issue in August was arranged by S. G. Warburg for Rothschild Investment Trust. £12m of ten year bonds were offered at 14½ per cent and were priced later at 98 per cent. The discount was due to the fall in prices on the UK gilt edged sector during the time in which the bonds were on offer.

The City of Oslo was the first borrower to take advantage of the re-opening of the Kuwaiti Dinar bond market. This sector was closed in November 1979 but will now be open for foreign borrowers on a carefully regulated basis. The terms of the KD7m—the maximum amount allowed—City of Oslo issue, lead-managed by KILC, includes a ten year maturity with a 9½ per cent coupon.

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The table of quotations and yields gives the latest rates available on 31st July, 1980. This information is from reports from official and other sources which the Association of International Bond Dealers considers to be reliable, but adequate means of checking its accuracy are not available and the Association does not guarantee that the information it contains is accurate or complete.

All rates quoted are for indication purposes only and are not based on, nor are they intended to be used as a basis for, particular transactions. In quoting the rates the Association does not undertake that its members will take in all the listed Eurobonds and the Association, its members and the Financial Times Limited do not accept any responsibility for errors in the table.

COMPILED FOR THE ASSOCIATION OF INTERNATIONAL BOND DEALERS BY INTERBOND SERVICES LTD. ★ A subsidiary of dataSTREAM International

## Creditanstalt-Market Makers in Austrian Schilling Bonds and International Bonds of Austrian Issuers.

Selected Austrian Schilling Bonds*	Middle Market price (26.8.80)	Yield to average life	Current Yield	Redemption (MD: Mandatory Drawings by lot PF: Purchase Fund SF: Sinking Fund)
<b>Maturity up to 5 years</b>				
8 % Österreich 1973/III/82	100.75	9.33	7.94	20.11.74-82 at 102.0 to 102.5 MD
8½ % Österreich 1975/S/83	99.60	9.39	8.53	5. 3.76-83 at 100.0 to 101.0 MD
8½ % Innsbruck 1974/B/82	99.50	9.32	8.54	19.11.75-82 at 100.5 MD
8½ % Wien 1974/B/84	98.00	9.49	8.67	2. 7.75-84 MD
8 % Airlberg Straßentunnel 1977/B/85	96.50	9.46	8.29	29. 7.80-85 MD
<b>Maturity over 5 years</b>				
8½ % Österreich 1976/S/86	99.75	9.47	8.52	20. 2.81-86 at 101.5 to 104.0 MD
8 % Österreich 1978/B/87	94.50	9.56	8.47	7. 3.83-87 MD
7½ % Österreich 1978/IV/C/86	92.25	9.50	8.40	1. 9.86 MD
9 % Österreich 1980-92/8	98.00	9.30	9.18	24. 6.89-92 MD
9½ % Tauernautobahn 1980-88/1	100.00	9.48	9.50	20. 5.88 MD
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8½ % Steyr-Daimler-Puch 1976/B/86	100.00	9.60	8.50	9. 3.81-86 at 103.0 to 104.0 MD
8 % VÖEST-Alpine 1977/B/86	94.75	9.58	8.44	15.11.82-86 MD
8½ % CA-BV 1975/II/85	99.25	9.36	8.56	11.11.76-85 at 101.0 to 101.5 MD
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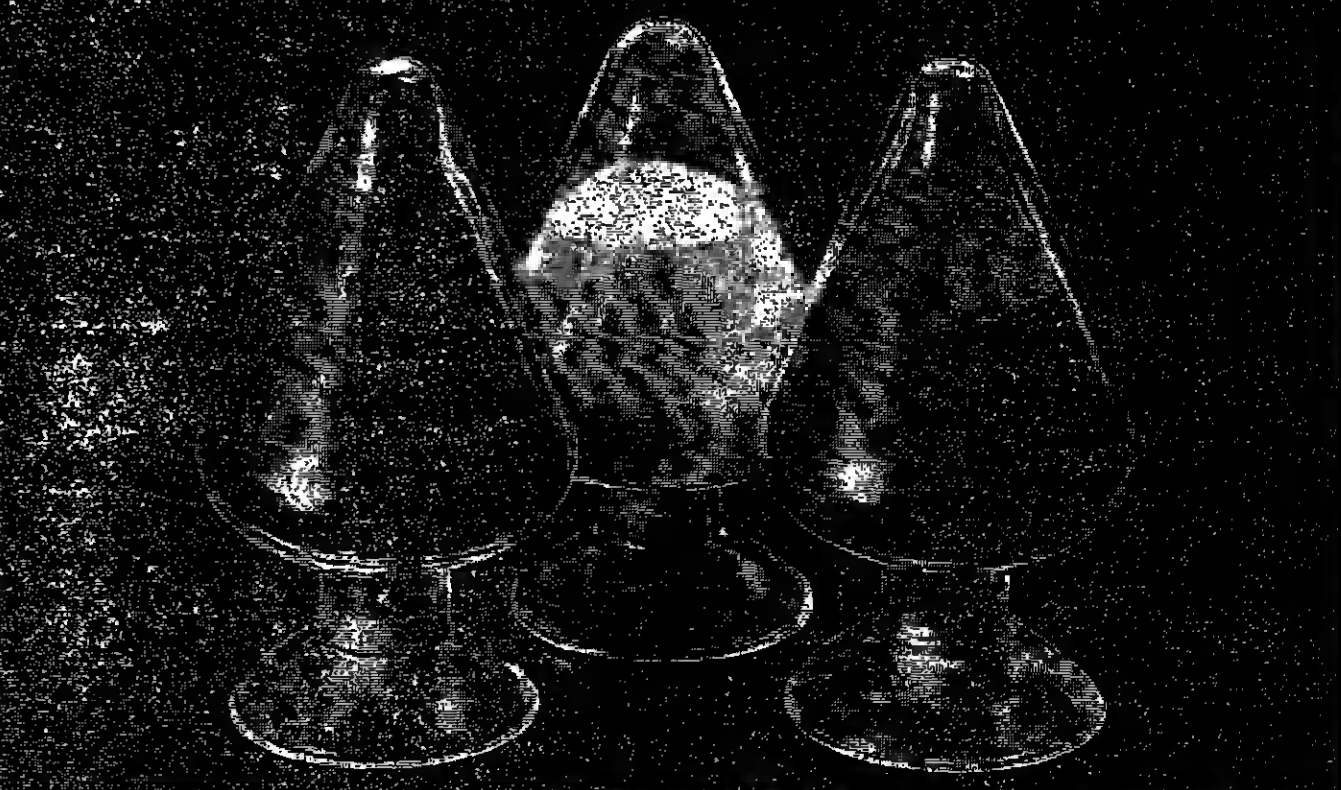


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## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

## Driving ambition that steers an unusual partnership

Nicholas Leslie reports on a French transport company with 550 lorry owners, each making well above average earnings

FOR A transport company, Henri Grossette's headquarters at Soissons, north of Paris, is unusually stylish. Instead of the more austere, utilitarian designs usually associated with big lorries and greasy workshops, one finds an attractive glass and concrete affair that would easily be mistaken for the head office of a bank or insurance company.

But Savam, as Grossette's company is called, is full of surprises. Not least is that, while he is clearly a tough entrepreneur, he combines some of the typically autocratic characteristics of the French private company "patron" with an unusual social philosophy. One of its major manifestations is that each of his 550 drivers is not an employee, but a partner.

This gives the clue to why, instead of dragging out their time at Soissons, where they can enjoy a plush restaurant and lounge—complete with colour television—and a private cinema and gymnasium the drivers are on the road most of the time and, according to Grossette, earning more than twice the average for salaried drivers in the French transport industry.

Drivers who join Savam must expect to work hard and accept a fair degree of responsibility. Their major obligation is that they must buy their own lorries and arrange their maintenance. A lorry off the road could well affect a driver's earnings. Similarly, careless driving resulting in a damaged vehicle can hit him in the pocket.

But in return for their own efforts, the drivers are on the whole assured of good earnings; they have access to a variety of keenly priced insurance and other benefits and, though

essentially self-employed, all their administrative work is done for them. They are also more or less guaranteed uninterrupted weekends at home, which is not always the case elsewhere in the industry. And, of course, they earn good money.

Once they have finished paying off their five years of instalments on their vehicle, they have a number of options. One is to keep the lorry on the road, thus boosting their earnings for perhaps three more years until the time comes when replacement is essential if reliability is to be assured. Another is to sell the vehicle, which after depreciating the original outlay against tax, will mean that a capital gain is incurred; as the rate of capital gains tax is only 15 per cent they generally have more than enough for a down-payment on the next lorry.

## Concrete

Alternatively, as some have done, they leave the company and, with the funds accumulated from the sale of the lorries and their earnings, set up their own business.

Grossette is philosophical about losing drivers this way—indeed, he is actually proud of having provided a means for people to set up on their own in such diverse businesses as butcher's shops and transport cafes.

Savam (Société d'Achat et de Vente de Matériel) has not always been structured in the way it is now. It has evolved from ideas and principles that Grossette held in embryonic form for a num-

ber of years before developing them into something concrete. Now 51, Grossette was a commercial vehicle retailer with a major Daf distributor when, just over 10 years ago, he decided to look for a niche that he could exploit in the transport industry. His findings showed that there was indeed room for a new business—provided he specialised.

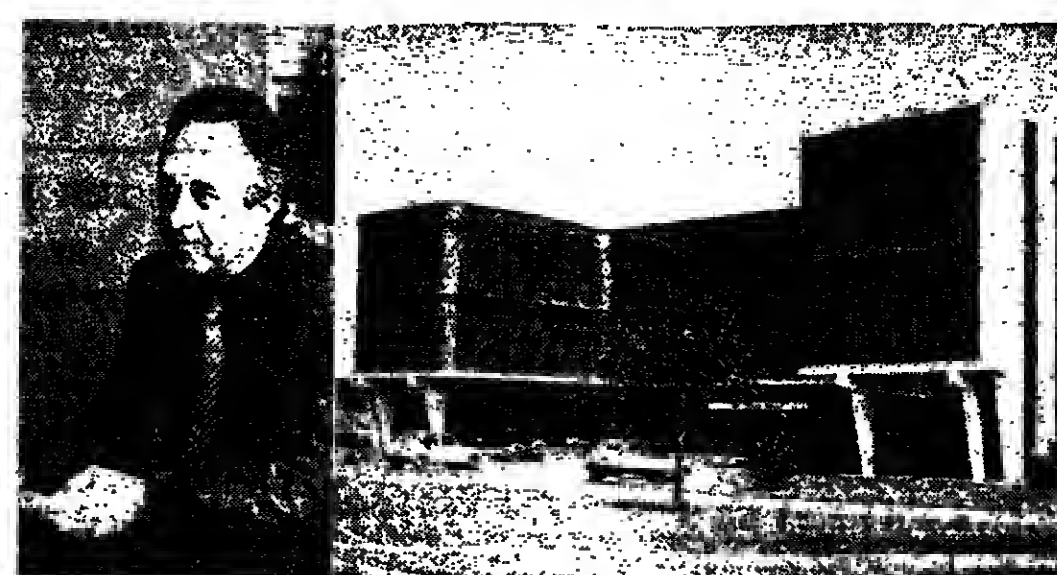
He set up Savam in its present form in 1971, with specialisation as his watchword. First, the company uses only Daf lorries. Obviously a major reason for this is Grossette's continued ownership of the Daf distributorship (through a separate company). But he does nonetheless genuinely believe that they are the best for his purpose. Using only one make of truck puts him in a strong bargaining position with the manufacturer; maintenance is therefore efficient and economic, and Daf incorporates particular design features required by Savam. Two sizes of vehicle are used: 60 cubic metre capacity and 100 cubic metre, which is a truck plus trailer.

The second element of specialisation is that Grossette is only prepared to carry high volume/low weight cargoes of less than 125 kg per cubic metre. This means not only that the profits within such limits are generally of a type that are moved in quantity—thus ensuring his lorries are filled—but also that transport costs are very often a relatively small factor in the total cost of the products. Additionally, by moving generally lighter goods of particular categories fuel costs can fairly easily be projected and kept within limits.

These factors combine to enable Savam to take all its orders over the phone and thus operate throughout France from its Soissons base, with no regional depots.

The key element in Savam's operations, the partnerships, are intriguing. They developed out of Grossette's early attempts to involve his drivers in the principles of cost cutting and profit maximisation. Some three years after setting up Savam he implemented the concept of making each driver a legal, profit participating partner with the company, though not with each other, as a means of providing a tangible incentive and a greater feeling of involvement. Though straightforward in its creation, the system initially proved to be fraught with taxation problems, but Grossette persevered with the authorities until these were largely overcome.

In France, every transport business—even if it comprises



Henri Grossette: by specialising he found a large niche in the transport industry for Savam. The company's elegant headquarters at Soissons (right) house a cinema and gymnasium as well as offices and maintenance facilities.

only one lorry—must have a state licence if it operates over 200 kilometres. These licences are owned by Savam rather than the drivers, which buys them as and when they become available (there is only a limited number, harking back to the time when the government set about boosting transport business on the railways by controlling road transport). Savam also handles all sales, distribution and other administrative work for the drivers in exchange for a commission.

## Cargoes

The Savam drivers do not, however, have quite the same financial security as salaried drivers since their earnings are directly dependent both on Savam's ability to get new business (though to date, this has proved to be no problem) and on their own ability to deliver their cargoes. At the same time, they bear the expense for their national health insurance and pension, and for insurance for such things as vehicle repairs and loss of earnings in the event of a major breakdown (though insurance cover is arranged by Savam at good group rates).

The results of this partnership effort, according to statistics quoted by Grossette, are striking. Average gross earnings of drivers, after they have paid their monthly hire purchase instalments, are almost FF10,000 a month (over £1,000), or FF119,000 a year (£12,400)—though this is reduced to around FF8,000 after national health and pension payments have been made. This, he says, compares with

the monthly average of FF4,500 earned by a salaried driver.

This differential has clearly been achieved partly by the efficiency of Savam's own organisation and partly by the drivers' own efforts—they put in a lot of effort, according to observers of the company. The upshot is that they achieve lorry loadings averaging more than 85 per cent, which is at least 10 per cent higher than the industry average.

Another factor is that costs are kept down by judicious driving and careful maintenance. According to Grossette, tyre life is around 250,000 kilometres (three times the general industry figure), a rate achieved largely by such simple means as driving at reasonable speeds, particularly on corners and not bumping into kerbs. Engine lives of some 800,000 kilometres are not untypical (against 350,000 kilometres generally in the industry).

Drivers can elect to have their lorries serviced at their local garage or at Soissons, where at least FF1m of stocks is always on hand, including virtually every engine part. Generally, if there is a major fault, the part will be replaced immediately to save time off the road; it will then be repaired and put back into stock. Even a whole engine can be replaced in this way.

Grossette also negotiates tough servicing deals with Daf. Over 100 new vehicles are now being bought each year and, not surprisingly, Grossette is regularly courted, unsuccessfully, by other lorry makers. Daf also provides attractive guarantees

on parts. And if body-builders specify a given period for a repair and then exceed it, they will find themselves having to pay compensation equal to a day's sales revenue of the lorry for each half day's delay, completing the repair.

Each driver is provided with his own set of monthly accounts, setting out his level of sales and his expenses. In addition to the operating account there is a cash account detailing each driver's net balance, after provision has been made for any possible liabilities—such as fines for motoring infringements.

The provisions are an important point, given the advent over a year ago of tough EEC laws relating to driving hours. A maximum 48 hours a week, or 92 hours a fortnight, of driving is now permitted, with strict guidelines on rest periods. A tachograph on each lorry monitors these exactly, together with the lorry's speed. Computer equipment recently installed at Soissons can rapidly convert information on a tachograph disc into diagrammatic form, highlighting any infringements and estimating the likely fines to be paid by a driver if his particular disc is selected for scrutiny during Government inspectors' spot checks.

Any slackness by a driver can work against him financially. If he breaks driving laws, for example, his cash account reflects his likely fines. If his incidence of accidents is high he will find that, although Savam negotiates competitive group insurance, he will have to pay a higher premium to Savam for his personal insurance than would another driver with a good record.

Each driver is assured of a "fair deal," partly because all their accounts are open for inspection by one another, and partly because a system is operated whereby each is offered the same amount of options.

While Grossette has a "common interest" approach to business, it is very much on his terms. The drivers' contribution is clear-cut; their partnerships are effected through a subsidiary company called Volume Transport, which is 70 per cent owned by Savam and 30 per cent by the drivers. The marketing, operational and financing aspects of the business "I feel I own," Grossette says. This means the drivers play no part in obtaining business. They accept the loads offered to them and at a price negotiated by Savam. To get their next load they merely ring Soissons as soon as they have unloaded their lorry and are told where they should go to pick up the next consignment. The progress of each driver and the matching of them to orders is monitored in an operations room at Soissons.

There, three large maps of France, side by side, are used to follow the paths of lorries and orders over three days at a time. Numbered markers indicate the lorries' destinations, and their arrival date, while coloured markers indicate, respectively, where orders have been taken and where they should be delivered. As soon as a lorry has been unloaded, its driver rings in for a new load and his number is matched with the location marker for a delivery the next day or the day after.

There is always a constant buzz of activity in the operations room. Savam does not negotiate long-term contracts but instead, deals in the spot market, picking up orders each day.

## Computer

Every shipment is recorded by the marketing department. Details of each lorry movement, type of lorry used, customer, driver and type of goods are all fed into a computer. This enables a picture to be built up of the source of the greatest demand in terms of both industry and geographical area—and what lorry is needed.

By identifying geographical areas of demand, Savam is able to plan where new drivers need to be recruited. The general trend of customer demand has also dictated the need for more of the bigger, more expensive lorries. So, although a driver can choose to buy either a small or large vehicle when he enters a partnership, it seems inevitable that, if this trend con-

tinues, the element of choice will decline.

To date, Grossette has shown a remarkable aptitude for maintaining growth, keeping his partners happy and also encouraging administrative employees of Savam by making them shareholders in the company. Around 30 to 35 drivers leave each year, generally because they have ambitions to operate a transport business on their own or because they want to capitalise on their lorry and move into a different sphere. Some, of course, leave because they are unhappy with the company.

As with all innovative ventures, there is a risk of failure. The question is particularly pertinent in companies like Savam, where profit sharing exists.

Grossette says he is aware of the problems that might be created. He has consequently attempted to anticipate such an event by making it clear to all the partners precisely what an economic downturn will mean—in simple terms, less earnings. But he is adamant that they understand perfectly the implications and that they would be prepared to suffer the consequences until such time as an upturn occurred.

Meanwhile, he is still looking to the future. As well as the probability that he will expand his operations into Belgium—and just possibly, the UK—he has also set his sights on acquisitions. But even if he moves into a different area, he would again specialise.

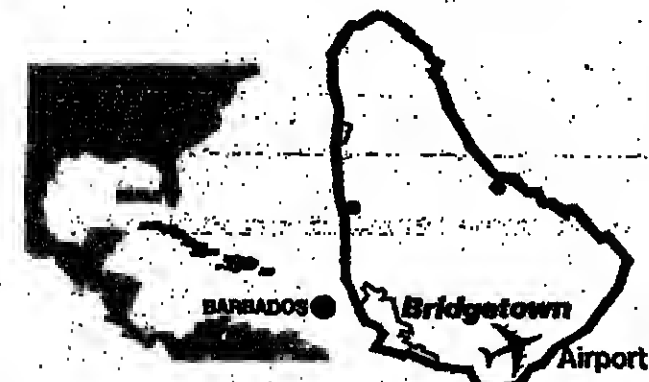
Then again, he has his sights set on going public at some time. With a turnover of over FF155m (£16m) and pre-tax profits of FF7.27m (£2.8m) Savam is certainly big enough. Grossette has also moved towards this goal by surrounding himself with outside professional expertise and finance through the sale of small minority stakes to three institutions. One is Charterhouse S.A., the French development capital subsidiary of Charterhouse Development (a subsidiary of the British Charterhouse Group), whose role is to advise Savam in its expansion strategy.

The other minority shareholders are the French merchant banking subsidiary of the major Belgian bank, Société de Générale de Belgique, which would be able to assist in the company's flotation, and a major French institution (unidentified), which could provide funds.

Grossette has been very active in getting this institutional support around him over the past year, and is clearly guiding himself for his next major push.

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## BUSINESS PROBLEMS

## BY OUR LEGAL STAFF

## Long service awards

A small private company has four shareholders as follows: A is a completely non-working director; B is a part-time director 2-4 hours per week; C is a full-time director; and D is an outside shareholder. Over 95 per cent of the shares are held by A and B. A merely receives a nominal £75 per year, whereas B and D share the profits between them. Under the extra statutory concession could long service awards (now possible up to £10 per year of service) as tangible articles be made to A, B and C or any of them—all of whom have over 20 years service, without fear of challenge from the Revenue? Would the cost of such awards be deductible from the company profits, without fear of challenge?

The best source of advice on the prospect of avoiding schedule E (and F) tax must be the company's accountants, because of their knowledge of the background facts.

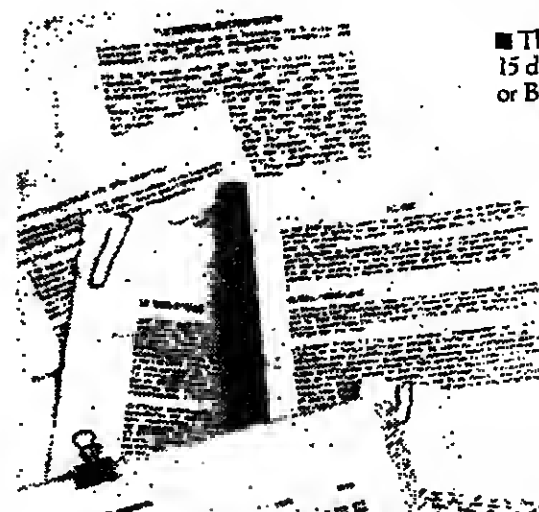
On the bare facts, we doubt whether gifts to anyone other than C would be regarded by the company's tax inspector as eligible for the beneficial treatment which you seek, viz exemption from Schedule E tax under concession A24 and deduction in the company's case I computation.

## Redundancy money

I am closing down the small factory I own; the work people will be paid redundancy as laid down by current legislation. However, I am at a loss to decide what redundancy pay to give the staff. Does the same legislation apply to salaried staff as with people on the shop-floor? The statutory requirements are the same for all employees whether their remuneration is described as wages or as salary.

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## THE ARTS

## Covent Garden

## Die Walküre

by ANDREW CLEMENTS

After a Rheingold the previous evening that, despite some inspiring moments, failed consistently to catch fire, Friday's *Die Walküre* was a substantial improvement. Vocally, and dramatically, the mainstay of this resurgence was Colin Davis's conducting. From the prelude to the first act onwards it was clear that massiveness was to be eschewed; the fleetness that replaced it was most naturally appropriate to the lyrical set pieces, allowing a continuity of line that had been absent in the more piecemeal conversations of Rheingold.

This increased assurance was swiftly conveyed to the singers, most notably to Yvonne Minton, whose Fricka in the earlier opera had been reticent and two-dimensional, but who now in the second act of *Walküre* developed into a formidable assumption. Every word of her dialogue was strikingly clear, her final, clenching warning to Wotan was launched on the purest of cantilenas. Donald McIntyre began on Friday in the fine voice in which he had finished the night before. The tone is undeniably firm and the stage presence both commanding and "Kidding" in equal quantities, but his Fricka is lacking. A Wotan who leads by force rather than by example, the Farewell sounds strangely hollow from his lips.

Of the first-act singers, only Peter Hoffmann's consistent if unimaginative Siegmund is already familiar from this production. Fritz Hübner promises soon to deliver a truly baleful Hunding. The tone is dark enough, but at present the characterisation lacks conviction and teeters uncertainly at several crucial points. Jeannine Altmeppen (Sieglinde) had an uncomfortable first act, disturbed perhaps by some nervous, uncertain moments early on. A chance to make amends at "Du bist der Leiz" was passed over (though the orchestral support here had been finely judged) but in the second act she seized upon "O beirtestes Wunder" most memorably, revealing a full rich voice previously kept under wraps.

Though not yet in the finest voice, Birgit Lindholm's compassionate Brünnhilde fits nicely into this production, re-rehearsed by Mr. Friedrich. It is well polished elsewhere, but the Valkyries chorus-line routine at the opening of Act 3 needs tighter drilling, if such things must be done (it seems to me a miscalculation in this context) they should be done with panache. The opening of the opera remains the best justification of the indulgence of that titling, revolving stage. When the platform begins to turn and tip as the storm gathers momentum it creates a formidable image of stark power in turmoil. For all the theatrical coups and close observation of the world in Rheingold, Götz Friedrich (at least in this revival) handles the limited individual conflicts of *Walküre* with more certainty.

## Wigmore Hall

## Lindsay Quartet

by RICHARD JOSEPH

On Saturday evening the Lindsay String Quartet finished their latest Wigmore Hall series, which featured the Quartets of Michael Tippett. The composer's fourth essay in this genre, which the Lindsays premiered at the Bath Festival last week, was the centrepiece of a programme that included works by Haydn and Dvorak.

It's a striving, deliberately late period work, which attempts, within a single long arch, to crystallise a great range of (often contradictory) experience. Tippett's nothing if not brave. Yet there is a crucial lack of self-referential unity, an unwillingness of the music to work within its own defined terms, that is emphasised by the composer's citation of Beethoven's *Grosse Fuge*. Still, it is a strongly conceived piece, and it engaged the audience's as well as the Quartet's enthusiasm.

Enthusiasm is very much the cornerstone of all the Lindsays performances at the moment. Both in Haydn's G Minor Quartet Op. 20 No. 3 and in Dvorak's "American" they attempted a stronger, more intense style of

playing than the music, or their techniques could bear. This obviously springs from their enthusiasm for the music, but rather like the Julliard Quartet in the 1960s, this relentless enthusiasm has toxic side effects. The first violin/cello axis, on which the secure intonation and rhythm of any quartet rests, is out of kilter. Except for the quietest passages, vibrato is too evenly and indiscriminately employed, without regard for the individual colour or importance of a note within a melodic phrase. The foreground/background relationships, within even the simplest parts, are ignored, so that the medium is presented perspectiveless, which it surely is not.

The Lindsays have been together since 1966, and have many distinguished accomplishments to their credit; it might well be that they are deliberately fighting a kind of collective middle-age spread. But the results are effortful and exhausting for the players, for no clearly defined expressive end. One hopes their collective experience and intelligence will soon sort matters out.

## Arts Council dance awards

Under its scheme to assist creative talent in dance, the Arts Council has approved dance awards to choreographers, composers and a designer for works commissioned by professional dance companies.

Charles Barber of Penylan, Cardiff, receives an award for a score for a ballet by Tamara McLorg, commissioned by EMMA Dance Company of Loughborough.

An award has been made to Jacky Lansley for the choreography of *An Alternative Giselle*, a work commissioned by X3 Dance Space of London SE1. Stephen Montague, who was born in America and has been resident in England since the mid-1970s, receives a composer's commission fee for a score for *An Alternative Giselle*.

Rohr Fleming, a Canadian dancer who lives in London N6, receives an award for the choreography of a work commissioned by Extempore Dance Company to be premiered on the Edinburgh Festival fringe during the company's fifth anniversary season.

Nell Murray, who lives in Morpeth, Northumberland, receives two awards, a choreographic commission and a design fee. He has been commissioned by Tamara McLorg to choreograph a work for her new solo programme, and by EMMA Dance Company for the design of a work choreographed by Miss McLorg.

On Saturday Ipswich, currently top of the First Division and certainly among the strongest, most cultured and entertaining clubs in the land, deservedly beat by two goals to one Crystal Palace, who are at the bottom, but clearly possess the talent to do better.

Like England, Ipswich also employed a basic 4-3-3, except that their two elegant Dutchmen, Thijsen and Mühren, tend to play very wide in midfield and provide additional width to the many attacks they initiate. Brazil, though not at his best on this occasion, blends more with Mariner and Gates than their England colleague, Woodcock, because of his preference for the left side.

A football follower, who did not know either team, or the players, would have had difficulty picking out Mariner and

## Venice Film Festival

## Back to the big time

by NIGEL ANDREWS

Breeze-blown bunting and bright posters bedecked the Palazzo del Cinema on the Lido this year, as the Venice Film Festival continued the climb-back to its old grandiose self, begun last year after almost a decade in the doldrums.

Financial and administrative troubles set in in 1977, and this year's last visit was in 1978, when the rain poured down on what seemed more like a frugal Marxist symposium than a film festival. This year the big-name directors are back—Antonioni, Cassavetes, Fassbinder, Zanussi, and so are the sun and a sense of occasion.

The Golden Lion for Best Film was shared between two movies from the North American continent: Cassavetes's *Gloria* from the States and Louis Malle's Canadian-produced *Atlantic City*.

The Cassavetes is a far better film and deserved the solo award. America's most punchy and unpredictable filmmaker has come up with a marvellous many-layered thriller, starring Gena Rowlands as a gutsy gangster's feeing through New York with a Puerto Rican boy whom the Mafia want to eliminate and she wants to protect. In between the set-piece chase scenes and mid-street

film's 230-minute journey are fabulous—rugged hills, sweeping coastlines, stony villages under weeping skies—but one never knows quite where the journey is supposed to be leading.

The best film at the festival was shown out of competition. Antonioni's *The Oberwald Mystery* is a little miracle of a movie, shot on TV videotape of all things and blown up to 35-millimetre for high-screen showings. If anyone could turn the base metal of video to gold, Antonioni is he and he does just that. The story, adapted from a Cocteau play *L'Aigle à Deux Têtes*, gives us Monica Vittori as a widowed Queen, holed up in a castle, circa 1900, who falls in love with a young fugitive rebel.

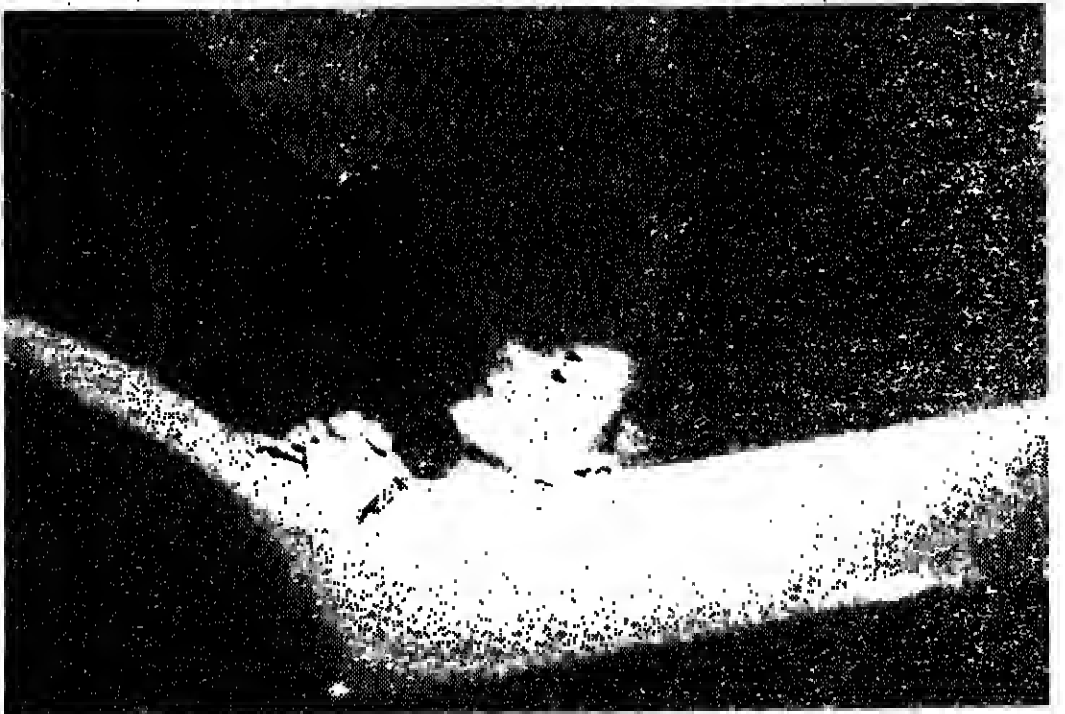
It's talk, talk, talk, like a TV play, but visually Antonioni wraps the catenae of dialogue in an incredible coat-of-many-colours. The screen is in a constant supply flux of expressive—flushing and fading with different hues as if Titian had been let loose on the colour knob—and the shimmering TV textures match the play's mystic undertone of doppelgänger romanticism: (the young rebel is a twin in looks

potty pantomime and chunks of Grand Opera, on-screen Schroeter weaves his own reflections on the rebel power of Art and comes up with a dotty but de-luxe delight.

Zanussi, meanwhile, is boeing for parades in coldst Poland and using that old stand-by, the poised for - social - breakdown bourgeois parry, for his symbol. Leslie Caron joins the standard Zanussi repertory company, as a rich and dizzy kleptomaniac, but her spunky performance and a few high-voltage social insights don't quite electrify a sluggishly conceived film.

Michael Roemer's *Pilgrim*, Forewell, by contrast, is a little mega-watt masterpiece from America: the home life of a hurly, assertive housewife (Elizabeth Huddle) dying of cancer and the reactions of her not-too-stockily suffering family. "Something too much of this!" you may cry, as crises keep raining down like monsoons—daughter is mentally disturbed, sister seems to be lusty after husband—but the film has a rinsing, stinging realism that keeps wiping the septicism from your face.

No shortage, in short, of fine films at Venice this year; and for lovers of the long haul there



Elizabeth Huddle in Michael Roemer's 'Pilgrim, Farewell'

shoot-outs, Cassavetes develops sheer, tacky relationship like a mixed-up Kramer vs. Kramer and steers the film towards a moving denouement that echoes long in the mind.

Malle's film is also a picaresque movie, but the mood is mostly wet whimsy and the picaresqueness confined to endless trolleys by the main characters—Burt Lancaster as a white-haired con-man accidentally inheriting a cache of heroin, Susan Sarandon as his waitress *memorata*—up and down Atlantic City's famous boardwalk. Malle seemed disoriented by his American settings in his last film *Pretty Baby*. Here he is completely at sea, uncertain whether to play up the creakily engineered tension—Will Susan Sarandon betray him—or to wash the whole story in a degenerate seaside painterliness, like a Boudin of the boardwalk.

While these movies ailed the Best Film award in two, a third prize went to Theo Angelopoulos's *O Megalexandros* for Best Experimental Film. This Greek director specialises in making pictures that seem slightly shorter than the Paleopontian War. The *Travelling Players*, you recall, was around four hours. His latest work is a windy allegory about colonialism and oppression, embroiling on the true story of the kidnapping by handits of a group of upper-crust Englishmen in Greece in 1870. The landscapes and vistas glimpsed during the

to the murdered king). A superb, surprising and wonderfully satisfying film.

From the four corners of the world came a supporting quartet of movies, all festival-worthy if more fuful in their impact. Shobel Imamura's *Vengeance Is Mine* is Crime and Punishment Japanese-style: a flashback-studded murder enquiry piecing together the personality of a multiple killer. Brilliance battles with B-movie banality, but the sleight-of-eye ending is magnificent and so is much of what goes before.

Europe gave us Werner Schroeter's *La Répétition* and Krzysztof Zanussi's *Contract*. The first is an endearingly crackpot effort from Germany's master-chronicler of the bizarre: a rag-bag of footage shot at the Nancy Festival of the Arts, where Heaven knows, anything goes, and a glimpse of sanity is looked on as something shocking. Into the tearaway transvestism and

was a marathon Mizoguchi retrospective and a screening of Fassbinder's new 14-part TV serial about Germany in the 1920s, *Berlin Alexanderplatz*. (I saw a couple of episodes and thought them flatulent and awful, but many came, saw, were conquered and stayed.)

What Venice doesn't yet boast is the international streamlining a big festival needs. The translation facilities are patchy-to-poor, and there is so little organised rapport between hosts and visitors that arriving in Venice is a bit like turning up at one of those mystery Agatha Christie mansions where Mine Host is a voice on a tape-recorder asking you to help yourself to the spiked sherry.

Next year, the organisers should add some grander social gestures to the fine choice of films. Then, perhaps, full glory will be restored to what was after all—way back when!—Duce inaugurated it in the 1930s—the world's first ever film festival.

## Contemporary Music Network 1980-81

From 70 works to be performed in the 118 concerts on the 1980-81 Arts Council Contemporary Music Network, six pieces will be receiving first performances. Nigel Osborne's *Gnostic Passion*, Tim Souster's *Mareos* and Rolf Gehlhaar's *Worldline* are all commissioned with funds provided by the Arts Council; new works by Louis Andriessen, Christian Wolff and Frederic Rzewski will also be

heard. For the first time all 12 groups will perform in London at the Round House in a major subscription series. Ten of these performances will be the opening concerts of the tours which will visit 31 towns and cities throughout England and Wales. Goldsmiths' College, University of London, has organised pre-concert talks and discussions for the Round House series.



The threatened buildings that overlook the shady enclave of Postman's Park

## Architecture

## How to kill the City

by COLIN AMERY

On Thursday the Court of Common Council meets to consider proposals from a subsidiary of Wimpey Property Holdings to destroy one of the last areas of small scale buildings, courts and pedestrian alleys in the City. The area is Little Britain lying just to the north of St. Paul's by Postman's Park.

If you take a walk around the area today you certainly have to look at the buildings with the eye of an optimist. This is because this historic area, which survived the Blitz and has a street pattern that dates from before the Great Fire, has fallen victim to planning blight. The blight has been caused by the City Corporation's 83-year-old road proposals.

In 1947 the City planned a dual carriageway road to run from Holborn through to Liverpool Street to allow traffic to flow swiftly around the edge of the City. London Wall was built but firm plans to extend "Route 11" through Little Britain to St. Paul's were put forward only 10 years ago when the City acquired some of the property it needed for the road by compulsory purchase. Much of the rest of the area was bought by the developer who is now offering to build the road for nothing in exchange for permission to

build a large office block. This kind of manoeuvre is euphemistically known as "planning gain".

Little Britain is keen to defend itself. A Trust has been set up to produce a constructive alternative to the developer's proposals. Architects Beeban Morris and Anne Swain have prepared proposals that concentrate on the rehabilitation of as many of the existing buildings as possible, provide a low rise block of flats for St. Bartholomew's Hospital (who also own part of the site) and a 100,000 sq ft office building with shops on the ground floor.

The buildings of the area are well worth preserving. At No. 22 Little Britain is a late Georgian shopfront, now boarded up and fragile but worth restoration. No. 12 is an interesting mid-19th century warehouse, an early and important example of cast iron construction. The former White Horse pub is an exuberant example of an 1890s drinking saloon. In fact the whole group of buildings facing on to Postman's Park is exactly the sort of street that we take for granted but simply couldn't build today.

Through an archway behind Little Britain is another important building, No. 22 Abdon

Buildings, an 1855 "model" dwelling for artisans—the only remaining example of its kind in the City.

Some of these buildings are listed but pressure from the Greater London Council to turn the area into a Conservation Area have been resisted by the City. It is astonishing that in the present climate, where the public are enthusiastic for conservation and urban history, the elected members of the City Corporation should be prepared to destroy what remains of the City's ordinary, agreeable human-scaled neighbourhoods.

The area in question is part of the City that has just been subject to an inquiry by a Ministry Inspector from the Department of the Environment. Although the Inspector declined to consider the principle of building a new road through Little Britain, his view was that any proposals should aim to preserve as many buildings as possible. If the City go ahead with the Wimpey proposal they will be acting against the Inspector's recommendations as well as ignoring the public climate and the proposals of the Little Britain residents and traders.

The Court of Common Council has a clear duty to examine as many ways as possible to preserve the small businesses and the character of the area.

## Wigmore Hall

## Alexander Baillie

by DOMINIC GILL

In ensemble, Alexander Baillie is best known as the cellist of the Fires of London; alone, he is also a young soloist of unusual distinction. His recital yesterday afternoon was the exact relationship and combination of unison and answering voices in the minutest extraordinary trio. But it was an elegant and well-tuned account (even if Baillie didn't quite catch the opening movement's first top B flat either time it appeared—so exciting but dead centre); and the finale was strong, driven with powerful impact.

To introduce his second half, Baillie took up a little *Elegie* for cello and piano written by Milhaud in 1945 (and recently republished by Boosey), in which he found much honest warmth and delicate charm. Britten's second Suite op. 80 was his only purely solo performance; a decent, well-rounded account that (even without the wild fancy or the surging excitement of a Rostropovich) made its points with conviction—the dark rumination especially of the *Andante* *lento* were beautifully contained. Baillie ended, in lighter, brighter vein, with a sonata by Giuseppe Valentini souped up after a century and a half by one Alfred Platts (otherwise the great 19th-century Italian cellist Alfredo Piatti)—to which respective tasks both cellists, old and new, had warmed with evident relish.

## W. H. Smith's 1980 Competition winners

A nine-year-old boy from Foston Village Primary School in Yorkshire (which has 25 pupils) and a 16-year-old from Harrow School (740 pupils) are among the prize-winners in the 1980 W. H. Smith Children's Literary competition. Prizes have gone to 63 young

writers and 30 schools, chosen from 29,000 entrants in the competition's 22nd year. Some of the schools have won in previous years — sometimes often.

The winning schools each get £50 for submitting work of the most consistent merit.

## FOOTBALL BY TREVOR BAILEY

## England warm up for World Cup

AFTER LAST summer's setbacks when they failed to win the home championship and to reach the final stages of the European Championship, England began their attempt to qualify for the 1982 World Cup with a 4-0 victory over Norway last Wednesday.

This was a satisfactory start, and it must be admitted that Ron Greenwood's side were flattered by the scoreline. However, they should manage to qualify in what is one of the weaker groups.

Apart from when we qualified as hosts in 1966 and holders in 1970, it is 20 years since we last fought our way into the final stages.

Against Norway, England used what might be termed a fluid 4-3-3, with Mariner, Woodcock and newcomer, Gates, forming a mobile, ever-changing spearhead. Both full backs frequently made attacking runs down either flank and the midfielders came up to support front runners. Although this formation produced goals and an impressive win against Norway, who were surprisingly adventurous, it was hard to envisage either team making much impression on any of the

most effective strikers in the First Division, although not quite as mobile and persistent as Stapleton and he lacks the ingenuity and shiftness of Daigleish. Whether he will prove equally effective at the highest level is not certain. He is now at the peak of his career when he must try to dispel suspicion about his tendency to disappear in a game and to being too predictable.

Eric Gates is in a different category. He is a most promising, small, nippy, hard-working natural poacher, who is fortunate to be playing for such a well balanced club as Ipswich and to be able to feed off the efforts created by the bustling Brazzi and the forceful Mariner.

Although he scored a fine goal at Selhurst Park, his ball control was rather disappointing and starting a game with his socks rolled down and no bungs in his shorts is surely an invitation to injury. At the moment he looks a fine prospect, though not quite ready for world class football. But that is what he said about Geoff Hurst a few weeks before we won the World Cup.

Gates as international class league forwards who will be expected to score and provide goals against the finest sides in the world, although Osman looked a natural successor to Watson. It was not that either striker played badly. In fact, Mariner led his line with considerable skill and laid on the final goal which was beautifully converted by Gates. But neither stood out in the way a true international normally does, especially as their own side dictated the play throughout the second half and opposition was limited.

Paul Mariner possesses many of the attributes of an old-style centre forward and is the type of player most managers seek. He is tall and strongly built, so that even if he fails to win the ball in the air, the defender's clearance is pressurised and frequently picked up by one of the Ipswich halves. He has the power and the ability to shield with his back to opponent's goal, finishes well and falls dramatically, which probably earned him a penalty against Norway and cost him one against Palace. He takes up some splendid positions and dribbles and turns very

## TENNIS BY JOHN BARRETT

## Bournemouth bounces back to form

TWO EVENTS took place yesterday—one a \$50,000 men's Grand Prix tournament on the south coast, the other a national junior event in London—that are significant to the future health of British tennis.

In the final of the Kosset British Hard Court Championships, at Bournemouth, the speedy Spaniard Angel Gimenez won his second Grand Prix title of the year by beating Shlomo Glickstein of Israel 3-6, 6-3, 6-3.

At BP's magnificent facility in Sydenham, the 12 finals of the BP Shield National Junior Tournament were decided in three age groups (under 18, under 16 and under 14) and in two divisions—those players who had competed at national championship level when the entries closed last March, and those who had not.

The revival of Bournemouth, which used to be second to Wimbledon in importance, comes as a welcome expression of faith after the two blank years of 1977 and 1979.

But the autumn dates, which creates inevitable difficulties of

weather, standard of entry and public attendance, has finally proved unsuitable.

Not one of the top ten men in the world was among the entries and even at yesterday's finals the stands were only half full. Throughout the week attendances have been poor. A return to the traditional end of April date, when at least some of the world's best players are in Europe, would seem a sensible move.

A greater promotional effort also will have to be made if the discerning spectators in Bournemouth can be lured back.

However the tournament was a qualified success for the sponsors, Kosset Carpets. "Of course we were disappointed at the quality of entry and the attendance," admitted marketing director, David Davies. "But we had fine support from the press and radio and next year I understand we can expect television coverage. That, frankly, will be essential to our commitment for 1981 and will make this year's pioneering effort worthwhile."

The Halifax based carpet company is part of Carpets International which have just

announced a hefty loss.

Although a sister company, Crossley Carpets, have for the last two years supported the Chichester tournament, this is the first involvement in tennis for Kosset and it is interesting to analyse their decision.

At first it might seem slightly frivolous to spend approximately \$65,000 on tennis at a time when the company is closing a factory in Brighouse and suffering severe competition, especially from the U.S.

But closure was part of a long planned rationalisation and Mr. Davies believes that the 20 per cent of his annual advertising and promotion budget he is spending at Bournemouth represents a good investment—provided that television can be guaranteed next year.

The popularity of the entertaining marquee at Wimbledon bears testimony to the truth of Mr. Davies' remarks. Tennis, with its bright summer image and its week-long meetings, is well placed to exploit the increasing interest of industry and commerce in leisure pursuits.

But Mr. Davies sounded a warning. "Tennis is an expensive sport to support and today

there are many alternatives." The season-long BP Shield tournament attracts between 500 and 600 entries from the members of the BP International Tennis Fellowship, all of whom must have won a tournament to become members.

The experiment this year to divide the tournament into two sections has proved successful, as it gives the players with less opportunity in the outlying regions a chance to perform before keen LTA's and the Press.

Two such players were Andrea Kovar who won a marathon under 16 final in the B section by beating Joan Caplen of Hampshire 6-3, 4-6, 12-10 and Hugo Furbini of Surrey who looked athletic and able in beating Jan Watson of Warwickshire 6-3, 6-1.

Among the better known names, Stephen Shaw of Middlesex completed a 6-1 6-2 win against Nick Fulwood of Derbyshire, and Sally Reeves of Kent gained consolation for her loss earlier in the day to Lisa Pennington in the final of the under-21 event at Bournemouth by beating Catherine Berry of Yorkshire 6-0 6-0.



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## Trading oil for gold

THE PRICE of gold is now 40 per cent above its summer plateau and after a week of hectic trading it is once again approaching the \$700 level. Prices which seemed to depend on irrational speculative frenzy following the Russian invasion of Afghanistan have proved surprisingly sustainable.

The continuing pressure on the gold price despite the onset of a severe world recession and the recent strengthening of the dollar against other currencies, suggests that investors are still by no means convinced of the determination or the ability of the world's economic authorities to suppress inflation and maintain order in the international monetary system.

It is because of its significance as a vote of no confidence in the state of world monetary relations that the renewed upsurge in the gold price should cause some concern for politicians and central bankers.

Even if last week's buying of gold and other precious metals—silver has risen by 22 per cent in two weeks—proves to be no more than a temporary phenomenon associated with anticipation of the OPEC meeting that begins today in Vienna, it provides further confirmation that there has been genuine investment demand for gold even at current price levels.

The strength of this demand, particularly from the surplus-generating OPEC countries, is a reflection of the growing doubts about the ability of the world's monetary institutions to inter-mediate immense payments imbalances without either generating inflation or stifling real economic activity.

## Oil surplus

From the point of view of OPEC countries seeking to invest their oil surpluses in assets that will maintain their real value, recession is a phenomenon almost as worrying as inflation.

The ability of industrial and commercial companies to generate adequate profits in the longer term is still clouded by doubts about the possibility of a solidly-based recovery in world trade and output. Any such recovery in turn depends partly on how the OPEC countries invest their surpluses and on the robustness of the international monetary system.

The popularity of gold as an investment for oil producers

has in some way helped to underpin this system. On the one hand it has produced an enormous increase in the hypothetical market value of the industrialised countries' reserves. On the other it has provided the industrialised countries with a potentially valuable trading asset.

Valued at \$500 an ounce the monetary gold holdings of the 11 major industrialised countries are worth about \$370bn—equivalent to OPEC's oil exports for about two years.

## Reserve asset

With oil producers short of gold and anxious to diversify out of dollar assets, gold-for-oil trade could make a contribution to easing the balance-of-payments adjustments of large gold holders such as the U.S., Germany or France. This in turn could relieve some of the pressure on the non-oil developing countries which, on present trends, look like being forced to bear the brunt of the oil consuming world's deficit during the coming years.

Anything that reduced the problem of financing excessive deficits for the developing countries would make a useful contribution to the stability of the world monetary system and to the improvement of economic and political confidence.

At the same time there is some danger in the revival of the status of gold as a reserve asset, which has occurred this year as extremely high gold prices have proved to be sustainable. The use of gold at high market values as collateral for paper currency can have an inflationary effect if it is not properly regulated.

More generally an excessively prominent role for gold in international payments can build either rigidity or instability into the world economy, depending on how authorities react to demand fluctuations.

There is no point in reviving the old debate about whether gold should be monetised or ignored as a relic of economic barbarism. But when they meet at the IMF conference next month, the world's central bankers might consider how they could best take advantage of the demand for gold to help steer the world monetary system through a period of difficult economic adjustment.

## Turkey: a case to be proved

THE ARMY has been the mainstay of the Turkish state ever since Kemal Ataturk swept away the remnants of the Ottoman Empire after the First World War. His success as a soldier in the wars of independence provided the base from which he transformed a moribund autocracy with theocratic tinges into the semblance of a modern, European-oriented state.

In 1960 and 1971 the generals seized power from the politicians in defence of Kemalist principles as they had evolved. When they did so again on Friday, they may have seen little alternative: extremist violence from Left and Right had already led to the proclamation of martial law in areas inhabited by about half the population; and the country's finances are in desperate straits. But the Western world will ask whether the soldiers can create an atmosphere in which the country may once again be constitutionally governed.

## Nato

Western interest in a stable and democratic Turkey is self-evident. The country owns western institutions and banks \$16bn, and needs more. It occupies a crucial position in Nato. Only from Turkish soil can the Americans keep a regular watch on Soviet missile launches.

After the two previous coups the Turkish generals did indeed return power to the politicians. In 1980 it took only a few months after the overthrow of Mr. Adnan Menderes, whose regime had become increasingly corrupt and repressive. The generals struck again in 1971 when political violence threatened largely from the Left, began to spread. The ousted premier, then as now, was Mr. Suleyman Demirel.

One reason for the coup in 1971 was the high command's wish to forestall a possible coup by junior officers who thought that the Soviet way might be right for a Turkey struggling towards industrialisation. On that occasion the army kept the politicians under tutelage until 1973, and its period of control was marked by many allegations of the torture of political prisoners.

The special characteristics of the third coup have yet to emerge. But the generals must certainly take on a difficult task. The economy is in tatters, with what industry there is short of liquidity and of orders.

## Conservative

The fundamental problem behind all three coups and behind the entire history of Kemalist Turkey has been how to bring a profoundly conservative country of Muslim peasants and landowners, with a thin class of merchants and intellectuals, into the modern age. Kemal twice gave up experiments with a multi-party system because he feared an Islamic backlash against his secular state. When the multi-party system was instituted in 1950, 12 years after his death, such a backlash became apparent.

Even today, as events have shown, Turkish society provides no stable basis for Western-style liberal democracy. In office, Mr. Demirel boasted of the Turkish people's desire to be the world's tenth industrial power by AD 2000. Instead the country became victim to corruption, inefficiency and extremism, but even more, perhaps, to the oil crisis and the flagging impetus of the world economy.

The parliament elected in 1977 fully demonstrated its inability to cope with any of these problems. In more than 100 tries it could not even elect a head of state. It used its constitutional right to block new elections which might—or might not—have produced a Government capable of governing. None the less, the military must not delay long before returning to constitutional rule a parliament capable of economic recovery. The onus of proof is on the generals.

## Singular inability to react to external shocks

BY SAMUEL BRITTAN



Authors of three "modest" errors: Sir Geoffrey Howe (left), Mr. Gordon Richardson, and Mr. Denis Healey (right).

I CAME to understand one of the most important principles of economics, that of diminishing returns, at a very early age because I grew up in a medical family.

If a patient had a mysterious ailment, it was a good idea to send him to more than one consultant. But after a very moderate number of such consultations, rapidly diminishing returns set in.

The analogy with the British economy is all too obvious. It has been diagnosed so often that one will be very lucky indeed if a great deal is discovered from yet another examination. The first Brookings Report, Britain's Economic Prospects, published in 1968, was noteworthy for recommending devaluation after it had occurred.

What is surprising about the Washington-based institution's new report, Britain's Economic Performance, is not that it fails to provide "the answer" to the country's troubles, but that it does contain a few interesting ideas.

The chapter I liked best is the introduction by R. E. Caves and L. Krause which some of the severe academics would undoubtedly call "journalistic." Yet it does contain a very useful slogan which is also true: "Britain lacks the ability to adjust to external shocks." This is best explained by a topical illustration. The second oil price explosion of 1978-79 provided an inflationary shock throughout the world. There is no difficulty in accepting this notion for those of us whose monetarism is of the long term and less mechanistic variety.

Why, however, was the effect so much greater in Britain than in other countries, in spite of the potential insulation offered by a sharply rising currency which other countries lacked?

The British inflation rate, measured by the Retail Prices Index, rose from a temporary low of just over 8 per cent in 1978 to a peak of over 21 per cent in May 1980 before starting to decline again. By contrast the average inflation rate of other industrial countries rose from just under 8 per cent in 1978 to a peak of 13 to 14 per cent in 1980.

Three policy mistakes contributed to this deterioration: the increased borrowing requirement in Mr. Healey's last budget of 1978, the VAT rise in 1979, and the decision in 1979 to devalue the pound. The latter was a "corset" however, which bid excessive growth of the money supply under both Chancellors. The magnitude of the damage from three modest seeming errors by three men genuinely trying to follow anti-inflationary policies requires some comment.

These errors could only have done the damage they did because of (a) the international oil price explosion and (b) the relative difficulty of the British economy—or people—in adjust-

ing to shocks of a peacetime variety. This takes us straight back to the first chapter of Brookings. As the authors rightly say the British economy "adjusts less well than others to external shocks because it has a smaller capacity for internal adjustment."

In most industrialised countries, workers did not attempt to recoup in wages the real income losses arising from the 1979-80 oil price explosion. The UK was the exception, where large increases in real wages were achieved in the two years from the spring of 1978 to the spring of 1980. It is easy to see why policy errors which contributed to this such as the wage rebound

it contributes is a sign that the UK could finance part of its imports from low resource cost oil and from financial inflows. In other words a boost to the standard of living is possible on condition that resources are shifted away from traditional traded goods, a proposition which meets with stubborn resistance.

The combination of external shocks and powerful pressure groups resistant to any fall in real earnings may also explain the most novel feature of the British disease. Until the late 1970s British unemployment rates were—in figures adjusted as far as possible for international differences—con-

associated with the Cambridge Economic Policy Group, is that either the constraint will re-emerge, or that it would re-emerge if output moved nearer full employment levels.

The alternative explanation both of the severity of the 1980 recession and the longer term emergence of high unemployment and economic slack is deficient demand or an "output gap" between actual and potential output. Such a gap is said to exist by R. Dornbusch and S. Fischer in their macroeconomic chapter of the Brookings study: for 1977 this is put at 94 per cent of total output and nearly 15 per cent of manufacturing production. Heaven knows what they would estimate it to be in 1980-81. They are, however, cautious and hesitant about prescribing remedies.

Their suggested prescription is fiscal ease, which they claim will reduce the real exchange rate. This is the precise opposite of the prescription of fiscal tightening and lower interest rates—also in aid of a lower exchange rate—urged by the Government's City critics. The two sets of proposals cancel out and neither should be taken too seriously.

The whole idea of an output gap, except in cyclical troughs is, however, rightly thrown out by Caves and Krause in their introductory chapter to the very same volume. "If the reservation price of all non-working persons, for example, is substantially above the going rate, then the economy can be considered fully employed and incapable of producing more." They cite estimates of a 7 per cent unemployment rate as the lowest sustainable without accelerating inflation (the so-called "natural rate"). They also point out that of the earlier increases in monetary demand, as measured by nominal GDP in 1973-78, 92 per cent went into inflation and only 8 per cent in higher output.

In spite of North Sea oil the curious idea still lingers that British output is held back by a balance of payments constraint. This view, most closely

## GROWTH OF REAL GDP PER CAPITA

AVERAGE ANNUAL COMPOUND %

	1955-64	1964-69	1969-73	1973-79
OECD	2.9	4.0	3.7	1.8
U.S.	1.5	3.3	2.5	1.6
UK	2.5	2.0	3.5	1.1
Japan	8.9	9.6	7.2	2.9
Germany	4.4	3.7	3.7	2.5
France	4.1	4.3	4.7	2.6

Source: OECD

following the collapse of the Labour Government's incomes policy and the mishandling of public sector pay by the new administration.

But the relative British inability to withstand shocks would follow from two more deep-seated features. The slow underlying growth rate of the UK means that any temporary check is more of a blow than elsewhere. Second the power of producer interest groups is not only a cause of slow growth, but increases "real wage resistance" in the face of external changes which require a reduction in real wages.

The inability to come to terms with shocks applies even to favourable shocks such as the impact of North Sea oil. The appreciation of sterling to which

sistently lower than the OECD average. Since 1977 they have been consistently higher. Both the U.S. and UK are alike, having a much severer recession in 1980 than Continental European countries. But Britain does not look like emerging with anything like the speed of the U.S.

The power of producer groups and "real wage resistance" mean that anything like an oil price shock, which is not completely accommodated by the printing of money, will lead for a time to both more inflation and more unemployment in the UK than in other countries. But it is possible that Britain has also entered a long-term phase of more unemployment and more economic slack, as measured by conventional indi-

principal writer on industrial performance, confirms this by looking at inter-industry differences. Bad labour relations have their worst effects on productivity in the older industrial regions.

Because labour relations tend to be worst in the largest organisations, the small-scale plant is likely to have an advantage, even if it means sacrificing some economies of scale. Activity is likely to shift from large scale assembly to small scale process industries and to those using female labour forces. As productivity deterrents are greater in manufacturing than services the long term shift of final expenditures towards services is likely to move faster than ever.

The most original Brookings chapter is by David C. Smith on trade unions. The conventional British establishment argument is that fiscal and monetary policy is not sufficient to stop runaway inflation, because of union power, and that therefore an "incomes policy" is essential.

Mr. Smith neatly stands this argument on its head. He shows that it was severe and unanticipated changes in inflation which led to a growth in union membership because such changes increased the demand for collective bargaining services. The growth of unionisation in turn was one cause of the increase in strike activity. The latter was also provoked directly by high and uncertain inflation. Changing labour force characteristics unfavourable to unions were more than offset by government policies to increase their role and power. These, if I may add my own gloss were due (a) to the spectacular defeat of the Heath Government at the hands of the Labour Party, more nearly a pure trade union instrument than at any time since World War I and (b) the desire of policy makers to buy union support for incomes policy.

Thus there was a vicious circle by which union power and lack of capacity to react to external shocks increased the difficulties and costs of macroeconomic policy. The result was bad performance on inflation and unemployment which further increased the obstructive role of unions which in turn made economic policy even more difficult.

The Brookings authors do not expect wonders from the various suggestions which they throw out en route. But the most realistic proposal is the one which ends the introductory chapter, "less positive but no less important. Policymakers could do a better job of living within existing constraints and convincing the people to do likewise. It is bad enough to endure relative impoverishment; it need not be made worse by inflation."

Edited by R. E. Caves and L. Krause. Blackwell, £12 and £4.95.

## FIGHT BACK AGAINST CANCER

It is good to remember that most people live their lives untouched by any form of cancer.

But as all too many are aware, cancer is something that casts its shadow far beyond those it directly affects. That is why so many people think it right to help the urgent work of the Imperial Cancer Research Fund.

The main laboratories at Lincoln's Inn Fields

IMPERIAL CANCER RESEARCH FUND

One of the ways you can help us NOW

I am sending the sum of £... as a donation to the scientific work of the Imperial Cancer Research Fund.

I do not require a receipt (please delete as appropriate).

"As you are sure to know, a donation made by means of a Covenant allows us to reclaim tax paid, thus increasing our resources at no additional cost to the donor. We have up-to-date details of how to make a Covenant arrangement—if you would like them sent, please put a tick in this box."

Mr/Ms/Ms...

Address...

The Appeals Secretary, Room 23, Imperial Cancer Research Fund, PO Box 223, Lincoln's Inn Fields, London, WC2A 3FX

Observer

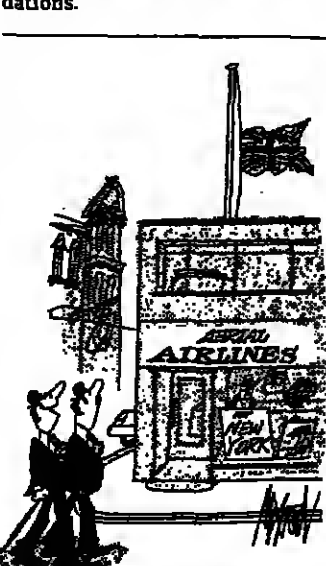
## MEN AND MATTERS

## The estate of the Union

A seven-year renovation of its Cornhill properties has won for the Union Discount Company both the principal award for 1980 and a high commendation from the City Heritage Society, which presents its City Heritage Award on Wednesday.

The main award goes to Union's headquarters at 39 Cornhill, built for the company at the end of the last century. Highly commended is work on Simpson's Tavern, the restaurant at 39 Cornhill which was sold by Union after renovation and is now owned by the Suo Alliance group.

"The whole thing is a joy," a pleased senior managing director Richard Petherbridge quoted me from the City Heritage Society. The transformation of the old-style Victorian bank-log-hall "lavatorial tiles and mahogany work," says Petherbridge—to accommodate the computerised needs of modern business has left undisturbed the building's original facade, while the back has been knocked down and rebuilt on its original foundations.



"They must have heard that now you can 'Fly the Flag' for £77."

## Lighter note

I have long wondered what it takes to make an accountant laugh. But I never suspected that one way might be to have him hauled before the Institute of Chartered Accountants Ethics Committee.

The Ernst and Whinney hierarchy hooted in disbelief. I am told, when they heard recently that someone had sneaked on to the ICA, alleging the cardinal sin of advertising. The complaint was over book matches, in plain white with a simple "E and W" on the front, supplied for in-house use. Instead of being ignored, the matter was referred to the Ethics Committee, which cleared the incredulous firm.

## Christmas card

If all that Christmas traditionally brings to you is yet another stocking stuffed with odd socks and after-shave, then a little forward planning could help to brighten things up this time round. A gift catalogue is now available to American Express cardholders in the US and France which, if distributed

liberally and conspicuously throughout the home and followed with well-placed hints, should provide all the guidance a loved-one might need.

The loved one might, for instance, be persuaded that what you want more than anything else is the "Astrocar" rocket, which propels itself up to a height of several hundred feet, takes a colour photograph of the ground below, and is parachute-borne back to earth. A sup, to these ballistically unpractised eyes, at \$48.

Those with larger affections and bank balances might wish to stomp up a mere \$12,500 for the "ultimate communications centre." A 12-foot dish aerial picks up radio and television programmes from passing satellites, and via 24 remotely controlled channels offers what to be "a choice of all the best programmes the hemisphere has to offer."

For the kiddies, how about a box of 16 chocolate American Express cards (\$17.50). But for the man who has everything except humility, this year's "must" is a De Lorean sports car finished in "glittering 24-carat gold." Yours for only \$10,000 down (chargeable to your card, but no refunds or deferred payment privileges), and a little matter of \$75,000 when the car is delivered in the course of next year.

## Coke au vin

Coca-Cola might well hope for a smoother launch of its Californian wines in the UK this month than it enjoyed when they were introduced in the home market. Coke caused something of a fuss in the traditionally staid American wine industry when, after scooping a distributor and two vineyards into its Wine Spectrum division, it promoted the brews through a "taste test" campaign in which a panel of independent experts notched up the Coca wines ahead of better-known Californian

brands. Investigation by a government regulatory agency followed vigorous complaints from the opposition. Wine Spectrum was cleared of misleading advertising, but none the less voluntarily ditched the campaign.

The UK launch puts the Wine Spectrum product on supermarket shelves at £2.19 a bottle—twice the American price, owing to transport and duty costs. Bureaucratic problems vexed the EEC dissuaded Coke from a Europe-wide launch straight away, but a British success would pose the company for Continental expansion.

## Touche

The rich, it is said, are no different from the rest of us—they just have more money. The same would seem to be true of the corporate rich, to judge from a colleague's recent encounter with GEC head Lord Weinstock, whose accounts are awash with some £600m of spare change. "What plans," queried my fellow scribe, "do you have for spending so much cash?"

The imperturbable peer surveyed his three-acre estate, "How much money do you have in your wallet?" he replied. "What plans do you have for spending that?" Undaunted, my colleague admitted being the proud possessor of some £5 and cited a pressing need to have lunch. I fear Lord Weinstock may not have been persuaded by this liquidity-reducing strategy. But if he was, there would dawn the happiest day in living memory for the proprietors of hostilities throughout the City.

## Change and decay

Overheard in Fortnum's: "Robin has always enjoyed the good things in life, of course, but at 63 it is high time he stopped thinking of himself as one of them."

Observer

هكذا من التمثل



# OPEC looks beyond the oil price

The Organisation of Petroleum Exporting Countries conference opening today in Vienna, the first to be held in the home of permanent secretaries, since the 1973-74 oil price shock, is expected to be a landmark event. It is the first time since then that the OPEC members have met in their own homes, and it is the first time since then that the OPEC members have met in their own homes.

The ministers who meet in the Habsburg splendour of the Hofburg palace have before them a new strategy document which they hope will chart the way forward for the 13-nation oil producing group for the next few years.

Like the first "Tri-Ministerial Conference" in 1975, this one brings together not merely oil, but also foreign and finance ministers for the second time in OPEC's 20-year history. Its purpose is to prepare for an OPEC summit in Baghdad in November and to finalise a comprehensive policy that will go well beyond the setting of oil prices. But this time OPEC's approach is more sharply defined, co-ordinated and confident.

Agreement is close on a formula that would provide for automatic increases in oil prices and make them more predictable than in the past. In reviewing the report of OPEC's Committee on Long-Term Strategy, chaired by Sheikh Ahmed Zaki Yamani, which began its deliberations in May 1977, the ministers will not be focusing merely on oil, the pre-occupation of the regular biannual conferences.

The aim, as in 1975, is nothing less than finding a way to align other less privileged developing countries with the oil producers in an effort to create a new international order. The last attempt, launched by the OPEC Solemn Declaration after the 1973 meeting was accompanied by a great fanfare but achieved hardly anything. "Once again OPEC is calling upon the industrialised countries to make an equal effort—indeed, greater sacrifices than OPEC members—to help the Third World with

aid, better prices for raw materials, and technology. But this approach is accompanied by the same refusal to accept that OPEC bears much responsibility for monetary disequilibrium, payments problems and the global economic malaise in general. Few ministers would accept the criticism made for example by Chancellor Helmut Schmidt of West Germany last week.

Cynics might argue, in fact, that this new policy—as laid out in the report which will be discussed in Vienna—amounts to little more than a rationalisation, justification and defence of the near tripling of per barrel revenues since 1973.

But there is more to it than that. The OPEC that is meeting this week is very different from the organisation of five years ago. Since 1975 concern about, and awareness of, the rapid depletion of a wasting asset and the looming critical shortage of oil by the middle of the decade has become much more acute.

Thus, final draft of the committee's report does not merely, like the Solemn Declaration, pay tribute to the principle of indexing oil prices to maintain their real value but makes specific proposals for increasing them progressively in real terms.

The new ministerial report falls short of recommending a co-ordinated production programme. But it does contain the proposition, now implicitly accepted by Saudi Arabia, that during periods of glut a proportion of collective output should be cut until "a later period of better balances and higher revenues".

Elhertzo, Saudi Arabia, the "swing producer" with a critical margin of capacity in hand, has steadfastly set its face against any production control, insisting that it would infringe its own and other members' sovereignty.

Now it is understood to be prepared to consider a policy of OPEC control of output in



Sheikh Yamani

return for agreement on a relatively moderate mechanism for phased price increments accepted by most members. But members have yet to agree on a base price for this formula, while three members—Iran, Algeria and Libya—still evidently oppose or have "reservations" about the method of indexation favoured by Saudi Arabia and the others.

Equally critical to the outcome of this week's meeting is the need to compromise on the realignment of prices which have been in disarray since early 1979.

The draft of the report approved, with "reservations" on the part of these three, recommends a formula to take account of:

● World wide inflation, according to an index based on roughly two-thirds of the rise in prices of exports from members of the Organisation for Economic Development and Co-operation and one-third on their domestic prices (to reflect the cost of services).

● An automatic exchange rate adjustment factor calculated on the fluctuations of 12 leading currencies, including the dollar.

● The average growth in real GNP of OECD members—to give increases in real terms.

Iran, Algeria and Libya have argued that the formula should be amended so that the inflation index would be based

Richard Johns looks at new OPEC proposals to be discussed in Vienna today. Hugh O'Shaughnessy reports (right) on a new example of how oil rich countries can help poor importers.

on OPEC's actual import prices and the mechanism for increments in real terms on their own (abnormally high) rates of growth—a potentially much more inflationary device. In an interview last month Mr. Belkacem Nahl, the Algerian Minister of Oil, indicated that the objections of his country—which was a member of the ministerial committee—had not been overcome. If so, Libya is unlikely to have dropped its reservations.

As for Iran, it is regarded by the mainstream moderates, in particular the two heavyweights Saudi Arabia and Iraq, as almost beyond the pale.

With exports of its own overpriced oil at a trickle, Iran has accused Saudi Arabia and Iraq of serving "Western Imperialism" by maintaining a high production rate.

Prospects for compromise on a base price of \$32 per barrel seem fair, with Saudi Arabia moving up from its rate of \$28 in one or two stages by the beginning of next year. But that cannot be regarded as a foregone conclusion, and the problem of differentials, quite apart from Iran's, could yet prove difficult to solve.

Even if Algeria and Libya were to agree on the more moderate formula for indexation, there is no guarantee that prices would not soar well above the basic floor set by the mechanism. On this point the

draft does not speak of a ceiling but only suggests that "in periods of shortage some price restraint may be called for."

OPEC is offering "an orderly balance between supply and demand" in the long-term, taking into account the production policies of member countries—but with a pronounced and clearly stated preference for the Third World, especially in times of shortage. It is also frank that equilibrium could be seriously upset by political factors, notably the situation in the Middle East.

Adoption of and adherence to the more moderate indexing proposals are prerequisites if the industrialised countries are to take seriously the strategy outlined in the report as the basis for discussion on the whole range of problems that for the most part were ably covered over in the North-South dialogue which expired with hardly a whimper in 1977.

"OPEC holds power in the present phase of the game," says a copy of the draft. Its demands include, again:

● free entry to the markets of the developed countries for refined products and petrochemicals;

● access to existing and new advanced technology;

● the lifting of trade barriers to oil exports of members;

● involvement in exploration and research with them.

Also spelled out are the objectives in the financial sphere, especially important to Saudi Arabia and Kuwait, that surfaced in the original dialogue—most-favoured-nation access to markets and representation in the governing bodies of the World Bank and the International Monetary Fund "commensurate with their contribution" to it.

It is recommended that "OPEC should exercise leverage on the developed countries to seek improvements in the lot of developing countries." The report gives general approval for the Iraqi proposal

for a fund to be financed jointly with the industrialised countries saying that OPEC aid "to the developing countries should not be given unilaterally without a commensurate commitment" from them.

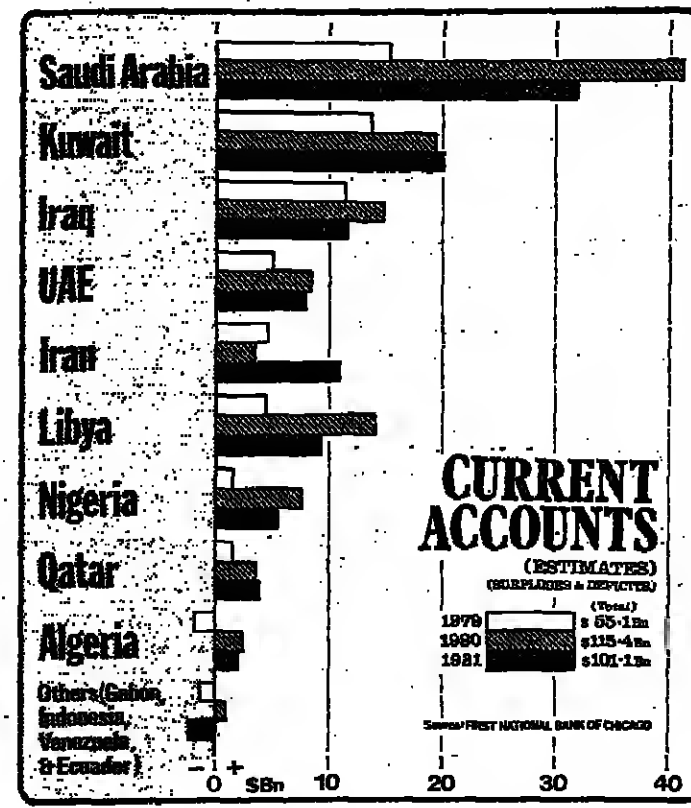
The proposition is that the OECD contribution should be calculated on the basis of the inflation in the cost of its exports while the OPEC aid should be calculated according to the prices of oil exported to developing countries—taking into account the effective discount resulting from credit terms.

This could mean the industrialised countries providing two-and-a-half times as much as OPEC, it is calculated.

Approval for the expansion of the OPEC Special Fund's capital from the \$4bn to \$20bn was given at a meeting in Taif. The plan is that it should help to mitigate the impact of future price increases on developing countries. Assistance would vary according to the importers' means from long-term loans that would completely defray the extra cost to the poorest states to medium-term facilities covering part or all of the requirements of such advanced countries as Brazil and Turkey.

The strategy report has yet to be approved—but it is likely to be even if only in some modified form and with Iran not subscribing to it. In the meantime, the oil producers have been conspicuous by their silence at the UN special session on world development and have yet to forge an alliance with the poorer countries most badly hit by price increases of 1979-80, whose growth may have been severely retarded.

OPEC's strategic thinking as it has evolved, if nothing else, is a reflection of the economic balance of power as the producers perceive it. Precisely because it could lead to confrontation, rather than co-operation, the West can hardly ignore it.



THE AGREEMENT that Venezuela and Mexico should henceforward supply up to 160,000 barrels a day to nine countries of Central America and the Caribbean has been hailed as an outstanding example of how oil rich countries should help the oil importers among the developing countries. While it does have significance beyond the bounds of the Western Hemisphere, it is not without its practical difficulties.

The deal announced last month provides that Guatemala, Honduras, El Salvador, Nicaragua and Panama in Central America and the Commonwealth countries of Jamaica and Barbados in the Caribbean will receive from the two suppliers all their requirements, provided these do not together exceed the 160,000 bbl ceiling. None of the recipient countries, except Guatemala, has any significant domestic source of oil.

Up to 3,000 bbl will initially be supplied by Mexico, not a member of OPEC, and

the rest by Venezuela, an OPEC member. Next year Mexico's share will grow till it comes level with Venezuela's.

The buyers will be paying only 70 per cent of the cost, the remaining 30 per cent being financed by a five-year loan at 4 per cent. The buyers have the option of using the 30 per cent of the purchase price on development projects and if they do, they will be able to repay the sellers over a maximum of 20 years at only 2 per cent. The loans may also be repaid in kind rather than cash.

Practical difficulties have arisen after the initial euphoria. Tankerage, storage and distribution facilities hitherto provided by the multinational oil companies may have to be adapted to take the fuel from the new sellers. In the political field, some recipients have been openly concerned at the political leverage acquired over them by the supplier countries.

## Letters to the Editor

### Paying for pensions

From the Secretary, Council of Civil Service Unions.

Sir,—Mr. Eric Short's article in your September 11 issue restores some balance after the wilder excesses promoted by the well-publicised evidence of the Centre for Policy Studies last week. Rightly, Mr. Short points to a fundamental error in the "CPS" paper, which effectively undermines the very basis of their conclusion that civil servants should pay much more for their retired colleagues' pensions. He is also right in saying that "the taxpayer should have the necessary information to judge what a more realistic rate (of contribution) should be."

Perhaps I can add some of this "necessary information." First, and entirely essential, is the fact that the Civil Service pension scheme is not only non-contributory, it is also non-funded. One might, therefore, reasonably ask what are the relevance of the criteria concerning funded contributory schemes to a pay-as-you-go scheme like the Civil Service? "Pay-as-you-go" schemes are only concerned with current costs, and, on the basis, civil servants meet their full share (around £400m) of the current annual cost (£700m) of Civil Service pensions, including the cumulative cost of index-linking. The "taxpayer's share" is considerably less than the average employer's share of the cost of providing pensions for employees.

Second, the Government Actuary's deduction is reassessed each year and reflects the usual actuarial assumptions. We fully accept the outcome of this annual re-assessment, so how are we out of line with general practice? Mr. Short gives a clue to the motive behind the CPS article. "The Centre's attitude is likely to receive a sympathetic response from pension fund managers." Perhaps the current Scott Inquiry would be better off looking into this much more worrying aspect. After all, are the members of funded schemes really being properly safeguarded so far as their income in retirement is concerned?

Finally, on our contribution, which currently total an equivalent of 83 per cent of salary (Incidentally, this is by far the highest of any large pension scheme in the public sector—or any other sector, for that matter. For example, we estimate that the police—should be paying at least 9 per cent more than they currently do, even on our much-criticised basis of contribution!) If this figure is to be increased, then it seems reasonably clear that any higher figure would represent such a massive forward investment for each civil servant that we would be bound to press for our scheme to be funded. The present unsecured basis of Civil Service pensions could not survive a change of the kind blithely envisaged by our critics. The first consequence of funding, however, would be to require our employer, the Government, to stop breaking its own rules for occupational pensions schemes and make an actual employer contribution. This would amount to around £500m pa—or just about the whole of the amount

that the Prime Minister extracted from the UK's EEC contribution!

P. D. Jones,  
19, Rochester Row, SW1.

### Strength of the pound

From Mr. M. D. McCarthy.

Sir,—At last another person, namely Mr. Roger Bartlett ("Strength of the Pound" letter, September 11), has realised that "this so-called strong pound has been used for years as the scapegoat for poor performance. I have been writing to company chairmen etc. for years now, taking them to task about this excuse."

Mr. Bartlett has, however, omitted one very relevant fact for our uncompetitiveness, namely productivity, or rather the lack of it.

I believe many senior executives realise the problems but because they have not got the guts to confront the unions, they would prefer to bury their heads in sand and hide behind the convenience of the so-called strong pound.

Congratulations Mr. Bartlett, and good luck with your economic studies! You have great promise, since you have pinpointed a very obvious, but conveniently forgotten fact of life.

M. D. McCarthy,  
Director,  
Delite Accessories,  
County Industrial Estate,  
Diss, Norfolk.

### Living standards

From Mr. David E. Lee.

Sir,—It is generally agreed by all sections of responsible public opinion that if inflation is to be controlled no increase in earnings can be justified unless it is accompanied by a corresponding increase in productivity. The recent demands by the trade union leaders at British Leyland for a 20 per cent increase on the grounds that the living standards of their members must be protected is, of course, totally unrealistic. Have their living standards already too high productivity? At British Leyland in particular the employees, in view of the company's financial position, should be grateful to have employment and, if necessary, be prepared to accept reductions in earnings in order to return the company to a measure of viability.

However, if we expect organised labour to exercise moderation in their wage demands then an example must be shown at the top by the directors and executives of leading British companies. A random examination of the accounts of quoted companies over the past two years will reveal that the directors and executives of these companies, most of whom are already highly paid, have received increases as great, and in some cases far greater, than those demanded by trade unions. In these circumstances can it be expected that the unions will expect anything less on behalf of their members. It should also be pointed out that the higher paid were the greatest beneficiaries of the tax reductions introduced in the 1979

Budget, so that any increase over their 1978 earnings should be minimal and can only be justified in exceptional circumstances.

The CBI and the Institute of Directors should not remain silent on this matter as they have done in the past. They should insist that their members set an example of responsibility and restraint regarding their remuneration.

David E. Lee,  
24, Corbins Lane,  
South Horwold.

### Redundancy riddle

From the Managing Director, The Zenith Electric Company.

Sir,—It is unfortunately true that most local government councillors, of any political shade, are, as Mr. J. P. Pickering (September 11) says, mesmerised by the Council's "officials. This is not to be wondered at when one considers the composition of the average council. In general it comprises retired small businessmen, local shopkeepers, housewives and relatively lowly members of business organisations, the latter finding the allowances useful as a means of augmenting their incomes. Rarely indeed does one find a successful practising businessman as a member of a local council."

This is not the fault of the members of the councils or even of the electorate. Most of the people whom one could regard as successful administrators in industry or commerce would say that they have no time to take on a councillor's work.

The result of this is that there is usually no member of a council who is in any position to argue with the Chief Executive on the question of the manning of the administration, and so the officials become judge and jury in their own court. Of course, to some extent the same situation applies to Central Government and the Civil Service. The subject is well documented in the I.E.A. Bohart Paperback "Bureaucracy—Servant or Master."

It seems to me that the only way this situation can be remedied is for Councils to have their administration investigated by independent consultants with the object of determining the necessary work load and recommending staffing levels to two councils have done this with excellent results, but the majority of councils do not have the temerity even to suggest such a course to their chief executives.

J. H. Pogmore,  
Cranfield House,  
Wandsworth, Milton Keynes.

### Power in the wind

From Mr. A. E. Davies.

Sir,—Your correspondent Mr. B. Wood, whose letter under the heading "Power from the Wind" appeared in your issue of August 29, does not, in his doleful prediction concerning the prospects for wind power, appear to be keeping himself abreast of technical developments in this field. Certainly his pot-pourri history of windmills in the past is a terrible distortion of hundreds of years of usage. You may assure Mr. Woods on a number of points. Yes, windmill engineers of

today are aware of the cubic relationship between wind power and wind speed. Were this not the case it would be doubtful if current U.S. policy would declare the immediate competitiveness of wind power with their own public utilities. It is a statement that can cause trauma in Mr. Wood's circles.

No, windmills have not got a narrow range of application for the very reason that the average cube law lends the power. A wind speed range of 3:1 offers a 27:1 range of wind power.

Yes, aircraft and helicopter technology is used, so is computer and chip technology and so would trout fishing technology if it had anything to offer. Safety factor is just one aspect of technology and the present round of windmill development is mainly concerned with finding the correct level of that factor. Of course safety factors differ in different technologies. That is what safety factors are for.

Those working in the Energy field cannot understand the reason for the pessimism and negative thinking behind such letters as Mr. Wood's. The authorities, ledged on by the faint hearts like Mr. Wood are almost guilty of fiasco: of allowing other countries to lead developments in this subject to the extent that UK Electricity Area Boards are importing windmills into this country.

If Mr. Wood lived in one of the remoter parts of Scotland rather than Twickenham, he might feel very different on the subject.

### Korean conundrum

From the Ambassador of the Republic of Korea.

Sir,—The headline on your leader of September 9 on Korea holds a different significance for Koreans—"Danger Signals for Korea" would be an appropriate label for the student riots and other anti-social activities engineered by selfish would-be politicians and profiteers. To the people of the Republic of Korea, the dangers of civil war and Communist invasion are dominant. And until these are eliminated, rapid liberalisation of the society in other directions is somewhat of a luxury.

Having accepted the admittedly strategic position in which we find ourselves, we Koreans still need to assert, for the benefit of the objective readers of the Financial Times, our right to be considered as human beings. We have to work out day by day a progressive way of existing under very real threats and pressures of a kind which is nothing like the home life of the average British citizen.

Imagine a London situated a mere 25 miles from a fiercely hostile alien regime, bristling with fanatics prepared to pounce at the slightest sign of weakness. Think of the danger of being distracted from total vigilance by, say, exhausting London's attention on a rioting mob of all University students intent on diverting the protective forces of law and order into full-scale civil warfare.

This is what has happened in Korea. The capital city, Seoul, is only minutes away by air from the demarcation line where a

million Communist troops are in constant readiness for the distraction which will allow them to pounce on the South. Your leader states correctly that "the North has not buried its ambitions and geography has not altered." And indeed, Korea remains only 200 miles from Japan, which is of significance to the strategic interest of the North-East Asian area. We appreciate that. But meanwhile, we ourselves are between the Communist north and this important land of Japan. Are we not therefore in even more dire need of seeking swift and effective means of stopping short of civil war while retaining control of our own protective life-style?

Your own leader notes, in parenthesis, that "the majority of the (Korean) population still seems ready to suffer authority with Confucian stolidity." Intended, as a cynical criticism, this should rather be taken at face value and accepted as part of the reality with which we Koreans approach our precarious situation. Our people know that they need a leader of courage and decisiveness to get them through the difficult period ahead. The fact that they, the "majority," can accept this should help to allay the mistrust of our traditional friends and allies.

Pyo-Wook Han,  
4, Polace Gate, W8.

### British Rail's hara-kiri

From Mr. R. Monroe.

Sir,—Mr. John Watson suggests in his letter (September 11) that British Rail is about to commit hara-kiri. I thought that the Japanese committed hara-kiri because they felt deep shame at some failure in the task they set out to achieve. If the management of employees of British Rail showed the slightest sign of shame for their failures I would feel there was hope for the future. This is plain despairing suicide while the balance of mind is disturbed.

R. Monroe,  
Harley Buildings,  
11 Old Hall Street, Liverpool.

### Money supply from abroad

From Mr. P. A. Virgo.

Sir,—Is it possible that the recent sharp increases in the money supply are genuine and caused by cash inflows from abroad attracted by high interest rates?

Much speculation has centred on distortions caused by the abolition of the banking "corset." However, the abolition of exchange controls and many associated reporting and recording requirements may, by blurring the distinction between domestic and overseas sterling holdings, have caused a more fundamental change.

If so, and substantial relevant transactions are going unrecorded, could cause and effect have reversed, so that state enforced high interest rates have become a short term contributory cause of, rather than a response to, inflation?

I should be most grateful for the comments of your more expert correspondents.

P. A. Virgo,  
2 Eastbourne Avenue,  
Acton, W3.

## Today's Events

starts two-day meeting, Brussels.

International Union of Marine Insurance annual conference opens, Seattle.

European Parliament session opens, Strasbourg (to September 15).

Amalgamated Union of Engineering Workers conference opens, Llandudno (to September 16).

Overseas: Oil, Finance and Foreign Ministers of Organisation of Petroleum Exporting Countries meet in Vienna, to discuss oil price developments.

EEC Foreign Affairs Council

trade figures (August). Index of industrial production (July—provisional).

COMPANY MEETINGS  
See Financial Diary on page 26.

COMPANY RESULTS  
Final dividends: Chambers and Fergus, Jentique (Holdings), Link House Publications.

Interim dividends: Bifurcated Engineering, Horace Cary, Federated Land, James Fisher and Sons, Leadonhall Sterling, Low and Bonar Group, Pittard Group, Richards and Wallington, Simon Engineering, Travis and Arnold, Interim figures: Kayser Bowdon.

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## SAVING MORE THAN FUEL

Absolutely nothing new goes into a Mercedes-Benz until it is proved capable of functioning reliably over many years.

In the case of the new engine, this meant an arduous testing programme of 1,400,000 miles.

And this new Mercedes-Benz engine needs so little attention, the service interval has been extended to 12,000 miles.

## WHY CHANGE A PERFECTLY GOOD ENGINE?

In a Mercedes-Benz, no single feature is over-emphasised at the expense of

other features. Braking efficiency is considered just as important as top speed.

Protection against collision as important as protection in a collision.

Driver alertness as important as driver comfort. Under-stressing an engine is just as important as extracting optimum power from it.

Boosting the power and economy of the existing 2.3 litre 4-cylinder engine would have been breaking this golden rule.

New stresses would have been introduced and these would have adversely affected its reliability.

The demands and technology of the 1980s produced the only answer: a completely new engine with a completely new gearbox to match the efficiency of the new power plant.

It may have been cheaper to 'tweak' the existing 4-cylinder engine at the expense of reliability and fuel economy.

It certainly would have been easier.

But then, 'easy' is not a word you'll find in the vocabulary of a Mercedes-Benz engineer.



MERCEDES-BENZ. ENGINEERED LIKE NO OTHER CAR IN THE WORLD.

\*Official Fuel Consumption Figures (Manual Gearbox)  
230 E Saloon (urban driving 20.5 mpg (13.8 litres/100 KM) Constant 36 mph 33.6 mpg (8.4 litres/100 KM) Constant 75 mph 26.6 mpg (10.6 litres/100 KM)  
230 CE Saloon (urban driving 20.5 mpg (13.8 litres/100 KM) Constant 36 mph 33.3 mpg (8.0 litres/100 KM) Constant 75 mph 27.4 mpg (10.9 litres/100 KM)







## Companies and Markets

## INTERNATIONAL CAPITAL MARKETS

## INTERNATIONAL BONDS

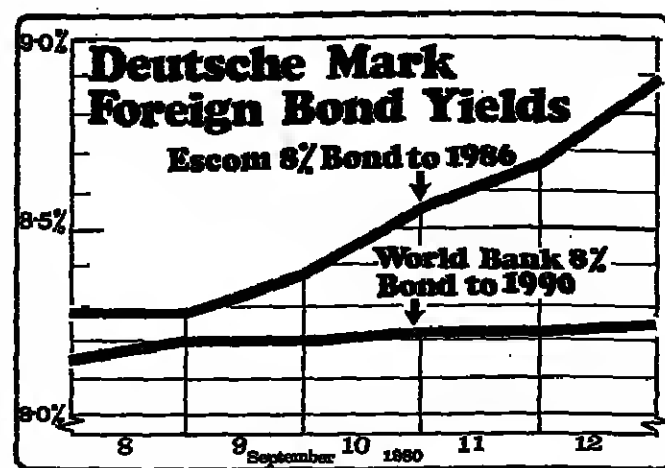
## Investors prefer convertibles

BY FRANCIS GHILÉS

INVESTORS stayed away from the major fixed interest rate sectors of the Eurobond market last week and concentrated their attention on dollar convertibles and sterling denominated bonds.

The latter sector witnessed what dealers described as one of its largest turnovers this year, with tickets of up to \$300,000 being written where \$250,000-\$500,000 remains the norm. The rise in sterling bonds came on the back of a very strong gilt-edged market and pushed prices of seasoned issues up by an average of 1/4 of a point over the week.

Two new sterling issues were launched, a straight one by Finance for Industry and a convertible for Juncos. The \$15m issue for FFI was increased on Thursday to \$20m and closed earlier than expected because of the good reception it met in the market. A sterling issue for Banque Nationale de Paris is widely expected to reach the market this week through Morgan Grenfell.



Morgan Stanley. Some dealers thought a coupon of 12 per cent was too tight but if the 14 per cent selling group discount is subtracted from the price of 99 1/2, the effective yield to maturity of this paper is 12.33 per cent. The 9 1/2 per cent G-

Kingdom of Sweden got off to a good start and was trading at 99 1/2 last Friday after being priced earlier in the week at 99 1/4 per cent.

Despite the string of new convertible issues last week, trading in straight bonds and FRNs remained thin and many dealers said that investors were showing more interest in buying gold and silver than bonds. This was also true in the D-Mark foreign bond sector, where prices declined by an average of 1/4 of a point on the week.

Yields are steadily rising in this sector, with more than a little help from domestic bonds. The prices of issues where the market is thin, at least in the foreign D-Mark sector, have fallen more steeply than those for which there is a good two-way trade (see chart) but overall the mood is very dull.

The new issue for the Republic of Austria met with a lukewarm reception and was quoted last Friday at a discount of 2-1/4 points from its issue price of par, while the recently priced bond for Nuclebrás fell sharply to 97 1/2 as the market resisted the Brazilian name.

Robert Smith will join the board of Citicorp International Bank Ltd. on October 1 as executive director in charge of Euro securities sales and trading. Mr. Smith was for many years with Kidder Peabody and more recently was general manager of Bondtrade.

## CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
<b>U.S. DOLLARS</b>							
U.S. DOLLARS	30	1995	15	7 1/2	100	Daiwa (Europe)	7.123
U.S. DOLLARS	25	1998	8	5 1/2	100	Daiwa (Europe)	5.319
U.S. DOLLARS	18	1995	15	8 1/2	100	Schroder Wagg	8.50
U.S. DOLLARS	150	1985	5	12 1/2	99 1/2	S. G. Warburg	12.44
U.S. DOLLARS	25	1987	6	6 1/2	99 1/2	Yamaichi First Chicago (Asia) Sing. Japan Merchant Bank	*
<b>STERLING</b>							
STERLING	20	1995	15	8 1/2	100	Schroder Wagg	8.50
STERLING	25	1995	15	7 1/2	100	Yamaichi	7.38
STERLING	25	1986	5 1/2	6 1/2	100	Citibank	6.25
STERLING	100	1987	7	12	99 1/2	Morgan Stanley	12.05
STERLING	20	1995	—	9 1/2	*	Rhyt Eastman	*
<b>D-MARKS</b>							
D-MARKS	150	1992	—	9 1/2	100	Dresdner Bank	9.50
D-MARKS	300m	1995	12.3	8.6	99.90	Daiwa	8.80
<b>FRENCH FRANCS</b>							
FRENCH FRANCS	120	1985	5	13 1/2	*	Caisse des Depots et Consignations	*
<b>SWISS FRANCS</b>							
SWISS FRANCS	20	1990	8	6 1/2	99	Sodit	6.75*
SWISS FRANCS	20	1990	—	7 1/2	100	Banque Paribas	7.12*
SWISS FRANCS	20	1990	—	5 1/2	99 1/2	Credit Suisse	5.78
SWISS FRANCS	20	1985	—	5 1/2	100	Credit Suisse	5.25
SWISS FRANCS	20	1990	—	5 1/2	100	Handelsbank	*
<b>STERLING</b>							
STERLING	20	1987	7	13 1/2	100	S. G. Warburg	12.75
STERLING	10	1996	—	8	*	Hill Samuel	*

\* Not yet priced. † Final terms. \*\* Placement. †† Floating rate note. ‡ Minimum. § Convertible. ¶ Purchased. ††† Registered with U.S. Securities and Exchange Commission. Note: Yields are calculated on AISD basis.

## CREDITS

BY PETER MONTAGNON

## Yugoslav jumbo in the wings

YUGOSLAVIA IS expected to use the International Monetary Fund meeting at the end of this month to launch formal efforts to obtain a major Eurocredit for its National Bank.

Such a deal has been rumoured for some time in the Euro-markets, but discussions to date have been very preliminary. It is thought that the presence of a large number of senior international bankers at the IMF meeting in Washington will allow the credit to take on a concrete shape.

Until recently bankers have been almost unanimously pessimistic about Yugoslavia's ability to raise all the funds it needs both because of bank lending limit problems and the poor performance of the country's economy. Some now suggest, however, that the economy may be in better shape than previously thought.

In particular, increased workers' remittances from abroad and tourism receipts are thought to have led to a marked increase in foreign exchange reserves, which fell sharply following the death of President Tito last spring.

Meanwhile, international bankers hope Friday's military coup in Turkey may lead to a more stable environment for the country's ravaged economy. Until the dust settles, however, some feel that planned discussions on a new debt rescheduling may have to be delayed.

Elsewhere, in the absence of any other major financing operations by top rated Western European countries, bankers are beginning to speculate on the possibility of a major credit for Swedish Petroleum, which recently agreed in principle to acquire 70 per cent of Kaiser Resources' share in three British North Sea oil licences. The agreement involves an undertaking to finance 15.4 per cent of the Brae Field development.

It has already been reported from Stockholm that the company's total financing requirement for this deal is around \$300m, and, given the continuing demand for Swedish assets, any credit of this amount with Swedish Government guarantees would be bound to attract strong interest.

Earlier this year the Kingdom of Sweden raised an \$850m

jumbo Eurocredit with a margin of 1 per cent for four years rising to 1 1/2 per cent for the remaining four. Scandinavian bankers report, however, that private sector Swedish borrowers can now command margins of only 1/2 per cent over five years on unpublished "one-bank" credits.

Such a financing usually also brings in collateral business for the lending bank, which can raise its overall return from the borrower substantially, but more important, bankers say, is the fact that the very existence of these deals implies that there is room for some further easing of conditions on larger syndicated public sector Swedish borrowings.

More details should be revealed this week on South Africa's forthcoming \$250m Eurocredit. It is now confirmed that the margins on the operation will be set on a split 1-1/2 per cent basis and the lenders are forming a small second-tier group of managers. News last week that St. Herman Oyarzabal had resigned as Venezuela's director of public credit and had been

replaced by Sr. Carlos Zubilaga, formerly head of international banking relations at the Banco del Lara group, raised doubts among many bankers over the extent to which Venezuela would really be able to overcome the short-term debt problems of public agencies.

Officials in Caracas say that Sr. Zubilaga will continue his predecessor's efforts to reduce these agencies' reliance on short-term financing, but given the continuing congressional restrictions on longer-term public sector borrowing dramatic progress on this front does not appear likely.

Meanwhile, another short-term mandate emerged last week for Shearson Loeb Rhoades. It is to raise \$300m over one year for Corporacion Venezolana de Pomento at a margin over Libor of 3/4 per cent with front end fees of \$1m. Bank of America has joined the lead management group of the \$150m credit for Siderbras bringing the numbers in the group up to eight. Final details of the sell-down should be known early this week.

## U.S. BONDS

BY PAUL BETTS

## Waiting for clues from the Fed

LIKE WAITING for Godot, the U.S. bond market, confused and disoriented by conflicting signals from the state of the economy, continuing high inflation, depressed bond prices and climbing short-term interest rates, was waiting with some apprehension the Federal Reserve's Open Market Committee meeting tomorrow.

At this meeting, the Fed will review its current day-to-day

management policies for the money markets. And although its decision will not be disclosed until much later, Wall Street will be looking for clues of any changes in Fed policies.

In particular, the market's fears that the Fed, anxious to moderate the recent bulge in the monetary aggregates at a time when the decline in real GNP appears to have been arrested, might decide to

continue to run on a GNP deflated basis at a rate of 9 to 10 per cent, and the latest weekly money supply figures.

While the increase on \$1.5bn in M1-B — one of the closely watched measures of the money supply — in the week ended September 3 was not unusually large, it nonetheless comes when declines are deemed necessary if the Fed is to meet its current targets.

Report of the increase in M1-B and M1-A came shortly after some 30 U.S. banks further edged up their prime lending rates on Friday by 1 point to 12 1/2 per cent, reflecting in turn the recent upward pressures on short-term interest rates. All this combined to send bond prices further down and short

interest rates up. High interest yields appear to have put off large corporate borrowers from the long-term debt market, at least for the time being. Indeed, American Telephone and Telegraph, the largest participant in the long-term debt market, said this week it was cutting its recourse to outside financing this year, while General Motors, known to have been contemplating to go to the market with its first ever bond issue, has so far shown no inclination to make the long awaited move.

Although some traders were predicting at the weekend that short-term interest rates would probably continue to decline, a number of economists took a more cautious view.

U.S. INTEREST RATES (%)	Week to Week to Sept 12	Week to Week to Sept 5
Fed Funds wkly.	10.37	10.02
2-month Treas. bill	10.30	10.02
3-month prime CDs	11.00	10.70
30-year Treas. bond	11.01	10.85
Long-term AAA utility	12.50	12.25
Long-term AA industrial	12.25	12.00

Source: Seligman Brothers estimates.

## FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR							Change on				BONDATE INDEX AND YIELD																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
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# Building and Civil Engineering

## Tarmac to build £8m plant

TARMAC CONSTRUCTION has won an £8m contract for the design and construction of what is claimed will be the most modern encapsulation plant in the world.

It is to build a single-storey processing plant in Swindon for R. P. Scherer, the U.S.-based manufacturer of elastic gelatin capsules for the pharmaceutical and health food industries.

Scherer, whose turnover world-wide last year was about £70m, says the Swindon project is its largest-ever single investment.



Impression of the £8m development for R. P. Scherer at Swindon, Wilt.

As a result the UK subsidiary's capacity will be increased by two thirds and exports should be expanded. The development comprises a single-storey processing plant of some 11,000 square metres and an administrative and labora-

tory block of nearly 2,000 square metres. R. P. Scherer will be relocating to the new site completely when it is completed in the summer of 1982. At the end of that year, the existing facilities at Slough, Treforest in Mid-

Glamorgan and Woodburn Green in Buckinghamshire will be closed down.

The project has been sponsored by the Department of Health and the Department of Industry for a Selective Investment Grant.

## Putting in the pipes

INSTALLATION of 4,000 metres of welded steel pipeline at the North West Water Authority's £15m underground reservoir now being built at Prescott, Merseyside, is being carried out by William Press and Son.

The scheme comprises a storage reservoir with an integral valve chamber, treatment works and pipelines together with ancillary works. The units will be connected by

welded steel pipelines varying in diameter from 800 mm to 1800 mm, the majority being 1400 mm. The reservoir will have reinforced concrete walls and floor and a precast concrete roof.

The pipeline contract was awarded by Fairclough Civil Engineering and is expected to take 18 months to install. Consulting engineers are Ward Ascroft and Parkman.

## Rail coach facilities

WORK HAS begun on a 9,050 square metre coach shed and various other smaller buildings for British Rail, Eastern Region at Crown Point, Norwich.

The £5.5m contract has been won by Balfour Beatty Construction and will also include a two-storey amenities block and external works over an area of five hectares comprising drainage, roads and paving, services, fuelling and off-loading aprons.

## Fairclough wins £5.5m

FAIRCLOUGH BUILDING of Sutton in Surrey has been awarded a contract worth £5.5m to build a seven-storey luxury block of apartments in St. John's Wood, London.

The architects for the project are David Landau and Partners, the consulting engineers H. L. Waterman and Partners and the quantity surveyors M. K. Boyden, all of London.

The apartment block is being built for London and Leeds Investments, the property division of the Ladbroke group.

The building will include penthouse apartments which will be air conditioned and inside car parking.

Construction has already started and the building is scheduled for completion in December 1981.

## Speeds the calculations

THE DEVELOPMENT of both very powerful computers and very small computers has stimulated the development of software packages for civil engineering.

At the top end of the scale, the Distributed Array Processor (DAP) developed by International Computers (ICL), the UK's only mainframe manufacturer, has already attracted attention in companies specialising in the kind of complex calculations needed in the construction and offshore oil industries.

The specialist bureau Computel, jointly owned by Costain and Mowlem, has been interested in adding a DAP to its concentration of ICL computing power for some years; now Atkins Research and Development, a subsidiary of the Atkins civil engineering group, has agreed in principle to collaborate with ICL on studies of a finite element analysis package which would take advantage of the DAP's processing capabilities.

The DAP is especially suited to large number-crunching tasks because of its parallel processing architecture, where the processing power is divided up or distributed in the computer memory; each element of memory has an element of processor associated with it. When the processors are instructed to function simultaneously, large calculations can be carried out at great speed.

Meanwhile, Atkins has carried out the necessary conversion work which makes it possible for its ASAS and FAT-

JACK finite element suites, and other software for the offshore oil industry, to run on ICL's 2900 series computers under ICL's major operating system, VME/VS.

The programs are all written in Fortran. ASAS is a large scale, general purpose program which provides facilities for static stress, natural frequency and beat conduction analyses.

FATJACK provides analysis facilities for offshore structures covering wind and wave loads static and dynamic response analysis and fatigue life evaluation.

At the tiny end of the market, Micro Scope, a microcomputer systems builder based in Maidenhead has introduced a financial system for the building industry.

It runs on a U.S. microcomputer, the Cromemco System 3, and is essentially a sales, purchase and contracts ledger system.

According to Micro Scope, it enables a builder to break down estimated building project costs into distinct budget areas, separating out direct costs such as materials and labour.

It allows the builder to estimate the likely effect on total project costs of, for example, increases in costs of particular materials and increased labour costs.

Micro Scope has already sold three complete systems to Kelsey Roofing and the first of these is up and running. The system is called Microcost and the starting price for a complete system is about £15,000. ICL is on 085 7272. Micro Scope is on 0628 72047.

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## Tenements to be refurbished

UNDER A £3m contract, John Laing Construction is to modernise a four-storey Clydebank tenement block for the Dalmeir Park Housing Association.

The extensive rehabilitation works to the block in Scott Street, Dalmeir, involve converting 80 existing flats into 86 new units designed to accommodate one to four persons. Alterations will include renewing joinery, installing new plumbing, heating and electrical fittings and repairing walls and ceilings. The flats will also be decorated throughout.

Work is scheduled for completion by August 1981. Architects are Cobbar and Liron, and quantity surveyors are Cobb Blyth Associates.

## Homes and factories

OVER £3m worth of contracts have been won by companies in the Rawlings group.

The latter says they include awards for 41 timber-framed dwellings for Newport Borough Council and flats for Cardiff City Council. This work will be carried out by Walker Tooting.

Six advance factories are to be built at Bagillt, North Wales for the Welsh Development Agency by Nordieff Construction Company and 32 dwellings are to be built at Colne, Lancs, by Leonard Frankland (Contractors) for the Bradford and Northern Housing Association.

## Electrical fittings scheme

DRIVEN BOTH by concern for the quality of electrical fittings in new houses and ambitions to extend its penetration of the new home market, MK Electric is to launch a safety campaign in the autumn.

The company makes some 60 per cent of all British Standard plugs, switches and the like used at home and abroad.

The market for electrical fittings in new houses is worth £15-20m a year, it believes, but as builders generally are given no specification for the fittings, they will use the cheapest. And there is no incentive to use devices like MK's "Sentinel" protection device with its earth leakage circuit breaker.

What MK proposes is to offer private sector developers the award of the "MK Shield of Safety" in return for specifying MK fittings to be used throughout their developments.

In return MK will provide the developer with promotional material which can be used to emphasise the quality of the electrical fittings as a positive selling point. It will also give the lucky house owner a pack of 10 MK plugs and a 10-year guarantee on its fittings.

## Ready for the new regime

REFURBISHMENT of Zimbabwé House (formerly Rhodesia House) in the Strand, London, has been started by Bovis Construction is expected by the end of this year.

Believed to be worth about £300,000, the contract involves cleaning the external stonework and minor repairs.

Internal work will include demolishing timber screens and partitions, replacing a number of doors and the redecoration of the building, which has been unoccupied for about 14 years.

## IN BRIEF

Wickens and Sons has taken over the film construction of 80 dwellings and external works at Datchett, Bucks., from Lowton Construction on behalf of The Royal Borough of Windsor and Maidenhead.  
The Methodist Home for the Aged has appointed Bovis Construction to extend its Liverpool home under a £450,000 contract.

## Overseas orders for Robertson

LIGHTWEIGHT PROTECTED metal cladding, as well as flooring and ventilation systems, worth over £4.5m, comprises a major export order for H. E. Robertson (UK), P.O. Box 88, Windsor House, Pepper Street, Chester (0244 315891).

Most products will be made

at the company's Ellesmere Port, Cheshire, factory, and the largest single contract for cladding is worth £1.5m and is a second order from the developers of the Castle Peak Power Station in Hong Kong.

Other orders are for the Al Khobar power plant in Saudi

Arabia; Sports City, Libya; Jeddah Airport terminal building; Abu Dhabi, municipal garage; oil plant, Zambia; Jebba Hydro Electric Development, Nigeria; aircraft hangars, Algeria; Ruwais Refinery, Abu Dhabi; Hellenic Steel Mill, Greece; and the Das Island oil installation at Abu Dhabi.

## Awards to Turriff

LARGEST OF the most recent contracts awarded to Turriff is worth £3m and is for Balerno High School for the Lothian Regional Council.

Other awards are for Croft Primary School for Walsall Metropolitan Borough (£600,000), factory units for Telford Development Corporation (£2m) and an Asda superstore and shops at Coventry for Associated Dairies of Leeds (£2m).

## Housing by Finnegan

A CONTRACT valued at about £2.2m for the construction of 118 houses has been awarded to J. F. Finnegan by Milton Keynes Development Corporation. The development, at Healdens, will be based on the Frameform system of timber frame construction.

The architects are MacCormac and Jamieson, Dearle and Henderson are the quantity surveyors and Ove Arup and Associates the consulting engineers. Completion is planned for May 1982.

## Variety of work worth over £4m

WORTH about £4m, the largest of three contracts awarded to Sir Alfred McAlpine and Son (Northern) is for the design and construction of Summergrove Hostel at Hensingham, Cumbria for British Nuclear Fuels.

The hostel will comprise four

bedroom blocks of three storeys each, together with a two-storey amenity building.

At York, for the British Railways Board, McAlpine is to undertake two jobs, together worth about £72,000 for concrete work and for tarmac paving while at Marchwiel,

Wrexham, Clwyd, it is to carry out a contract worth over £900,000 for the Wrexham and East Denbighshire Water Company. This is for construction of a raw water reservoir which will be lined with polyethylene, the upper portion of the membrane being protected by stone filled mattresses.

site and further contracts will be awarded early in 1981 for improvements to the existing shopping centre and the construction of a central square shop unit.

The architects are Stone Tombs; quantity surveyors, Pritchard Williams and Hunt; structural engineers Ward and Partners, and Ferguson and Partners are service engineers.

## £2½m shops centre near Bristol

A CONTRACT worth £2½m has been awarded by MEPC to Ernest Ireland Construction, a subsidiary of John Mowlem and Company, for work at the Yate shopping centre, north of Bristol.

The contract covers the construction of a 62,000 sq ft superstore for Tesco, ten other shops, seven two-bedroom flats and external works which will include

car parking for 1,350 vehicles.

Preliminary works at the centre for the diversion of services and the creation of new service roads were completed by Lee Construction a subsidiary of Sir Robert McAlpine and Sons under a £175,000 contract.

A third contract is due to be tendered for soon for major road improvements around the

car parking for 1,350 vehicles. Preliminary works at the centre for the diversion of services and the creation of new service roads were completed by Lee Construction a subsidiary of Sir Robert McAlpine and Sons under a £175,000 contract.

A third contract is due to be tendered for soon for major road improvements around the

## PLANT & MACHINERY SALES

- ROLLING MILLS**  
12.5in x 24in x 21in wide 350 hp Four High Mill  
12in x 30in x 25in wide 400 hp Four High Reversing Mill  
5in x 12in x 10in wide variable speed Four High Mill  
3.5in x 8in x 9in wide variable speed Four High Mill  
10in x 16in wide fixed speed Two High Mill  
10in x 12in wide fixed speed Two High Mill  
6in x 16in x 20in wide Four High Mill  
150 x 100 mm x 15 hp Two High Tape Rolling Mill  
110 x 100 mm x 10 hp Two High Tape Rolling Mill
- WIRE FLATTENING AND NARROW STRIP ROLLING MILL**  
Two stand by RVF 10in x 8in rolls by 75hp Rolls
- DECOIL AND CUT/LENGTH LINES**  
1830 mm x 45 mm / 125 mm x 25 Ton Coil  
1500 mm x 0.5 mm / 32 mm x 15 Ton Coil  
1500 mm x 0.5 mm / 32 mm x 10 Ton Coil  
1100 mm x 2 mm / 8 mm x 5 Ton Coil  
1200 mm x 0.5 mm / 2 mm x 5 Ton Coil  
750 mm x 1 mm / 3 mm x 5 Ton Coil  
400 mm x 0.5 mm / 3 mm x 2 Ton Coil
- SPLITTING LINES**  
1220 mm x 3 mm x 5 Ton Coil  
920 mm x 5 mm x 10 Ton Coil  
920 mm x 3 mm x 2 Ton Coil  
300 mm x 1.5mm x 1 Ton Coil  
36in and 48in Sheet Slicers
- WIRE DRAWING MACHINES**  
6 Block, in line, variable speed (560 mm dia x 25 hp DC)  
9 Block, non-slip cumulative (610 mm dia x 25 hp AC)  
8 Block, non-slip cumulative (560 mm dia x 25 hp AC)  
6 Block, non-slip cumulative (356 mm dia x 1.5 hp AC)  
Horizontal Drawdown variable speed (915 mm dia x 75 hp DC)  
Horizontal Drawdown variable speed (456 mm dia x 15 hp DC)  
Vertical Drawdown (2) variable speed (610 mm dia x 25 hp DC)  
13 and 15 Die Cone Type & Spooler, 4500 ft/min (2 machines)  
9 Die Cone die and finishing block, 750 ft/min
- SHEARS AND GUILLOTINES**  
1220 mm x 25 mm Cincinnati Plate Shear  
510 mm x 16 mm/50 mm x 50 mm FELS Scrap Shear  
2.5 m x 3 mm high speed mechanical Guillotine, Kestons
- SHEET LEVELLING ROLLS** 220, 1150 and 1850 mm wide
- HYDRAULIC SCRAP Baling Press, Fielding and Platt**
- FORGING HAMMER** 3 cwt, slide type, Massey
- AUTOMATIC COLD SAW, non-ferrous, Noble and Lund**
- ROTARY SWAGING MACHINE, 25 mm capacity**
- ROTARY SWAGING MACHINE, 25 mm capacity**
- 28in COLD SAW, Noble and Lund**
- BAR STRAIGHTEN, Cut-to-Length Lines 6 mm and 16 mm**
- ROO REELING MACHINE, two Roll, PLAIT size one and two**

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WICKMAN 6 SP AUTOMATIC 12" rebuilt to maker's limits  
WICKMAN 6 SP AUTOMATIC 12" rebuilt to maker's limits  
WICKMAN 6 SP AUTOMATIC 24" recon. to maker's limits  
200 TON HYDRAULIC PRESSES  
200 TON MECHANICAL PRESS 8in stroke, as new  
WEIDEMANN 75 TON TURRET PRESS capacity 120in x 60in x quarter-inch thick 32-station  
ROLLING MILL, 11in x 11in wide Two High reconditioned  
MALMEDIE 4-station COLD HEADER QPB excellent  
MATRIX DRILL GRINDERS  
CINCINNATI 3 CENTRELESS GRINDER with 17in wide grinding wheel.

## ROLLS TOOLS LTD.

154/6 Blackfriars Road, London SE1 8EN  
Tel: 01-928 3131 - Telex: 261771

## COMPANY NOTICES

### TORAY INDUSTRIES, INC.

7½% U.S. Guaranteed Notes 1984

S. G. WARNBURG & CO. LTD. announce that the redemption instalment of Bonds, due 15th October, 1980 for a nominal value of U.S.\$3,450,000 has been met by purchase in the market.

U.S.\$3,450,000 nominal amount of Bonds will remain outstanding after 15th October, 1980.

30, Gresham Street, London, EC2P 2EE. 15th September, 1980.

### ARTIEBOLAGET SVENSK EXPORTKREDIT

Swedish Export Credit Corporation U.S. 7½% NOTES 1985

S. G. WARNBURG & CO. LTD. announce that the semi-annual instalment of Bonds, due for redemption 15th October, 1980 for a nominal value of U.S.\$1,450,000 has been met by purchase in the market.

U.S.\$1,450,000 nominal amount of Bonds will remain outstanding after 15th October, 1980.

30, Gresham Street, London, EC2P 2EE. 15th September, 1980.

### THE BANK OF YOKOHAMA, LIMITED LONDON

In accordance with the provisions of the Companies Act, 1948, the Bank of Yokohama, Limited, London, hereby gives notice that for the six months ended 30th June 1980, the following figures have been ascertained:

Net Profit: £121,587,747  
Dividend: 12½% per annum  
The dividend interest payment due will be 15th March, 1981.

Kleinwort, Benson Limited Agents Bank.

### NATIONAL COAL BOARD

8½% U.S. Guaranteed Bonds 1988

S. G. WARNBURG & CO. LTD. announce that the semi-annual instalment of Bonds, due 15th October, 1980 for a nominal value of U.S.\$1,800,000 has been met by purchase in the market.

U.S.\$1,800,000 nominal amount of Bonds will remain outstanding after 15th October, 1980.

30, Gresham Street, London, EC2P 2EE. 15th September, 1980.

### ARTIEBOLAGET SVENSK EXPORTKREDIT

Swedish Export Credit Corporation U.S. 7½% NOTES 1985

S. G. WARNBURG & CO. LTD. announce that the annual redemption instalment of Bonds, due 15th October, 1980 for a nominal value of U.S.\$1,800,000 has been met by purchase in the market.

U.S.\$1,800,000 nominal amount of Bonds will remain outstanding after 15th October, 1980.

30, Gresham Street, London, EC2P 2EE. 15th September, 1980.

### NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN NIPPON SHIPAN CO. LTD.

NOTICE IS HEREBY GIVEN that pursuant to Section 293 of the Companies Act, 1948, that a MEETING OF THE CREDITORS OF the above-named Company will be held at 23 GIFFORDS INN, FETTER LANE, LONDON EC4A 1AH on 11th day of the month of September 1980 at 11.15 for the purpose mentioned in Section 294 of the said Act.

Dated this 8th day of September 1980. By Order of the Board, N. E. FURLONG, Director.

## WESTERN MINING CORPORATION LIMITED

9½% U.S. Bonds 1992

S. G. WARNBURG & CO. LTD. announce that the first redemption instalment of Bonds, due 15th October, 1980 for a nominal value of U.S.\$3,125,000 has been met by purchase in the market.

U.S.\$3,125,000 nominal amount of Bonds will remain outstanding after 15th October, 1980.

30, Gresham Street, London, EC2P 2EE. 15th September, 1980.

### THE GREYHOUND STEEL ROLLER

INCORPORATED IN THE NETHERLANDS (Antilles)

Shareholders in the Fund are convened to attend the Extraordinary General Meeting of Shareholders to be held on 7th October, 1980 at 10.30 a.m. at the registered office of the Fund at P.O. Box 115, Willemstad, Curacao, with the following agenda:

- 1) Authorization as required under Article 12 of the Statutes of the Fund.
- 2) Proposal to place the Fund in Liquidation with appointment of Liquidator and transfer of the books and records of the Fund after liquidation and termination of Liquidator's fee.
- 3) Instructions to Liquidator.

Shareholders may attend the Meeting in person or by written proxy. Proxies should be deposited at the registered office of the Fund not later than 30th September, 1980.

### THE BOARD OF MANAGEMENT

Curacao, 15th September, 1980.

### NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDRS) IN OAK HOUSE FINANCE LIMITED

We are pleased to confirm that copies of the Annual Report for the 24th period ending 30th June 1980 are now available to EDRS holders upon application to the Company Secretary, Oak House Finance Limited, 33 Cliffride Inn, Fetter Lane, London EC4A 1AH.

Registered Office: 33 Cliffride Inn, Fetter Lane, London EC4A 1AH

### PUBLIC NOTICES

SEVENOAKS DISTRICT COUNCIL

£22,000 but only £10,000 for current year 1980/81. Applications received 15.9.80 at 14.00. Applications received 15.9.80 at 14.00. No other bids outstanding.

### LEGAL NOTICES

IN THE MATTER OF THE COMPANIES ACT, 1948

AND IN THE MATTER OF OAK HOUSE FINANCE LIMITED

Registered Office: 33 Cliffride Inn, Fetter Lane, London EC4A 1AH

### NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act, 1948, that a MEETING OF THE CREDITORS OF the above-named Company will be held at 23 GIFFORDS INN, FETTER LANE, LONDON EC4A 1AH on 11th day of the month of September 1980 at 11.15 for the purpose mentioned in Section 294 of the said Act.

Dated this 8th day of September 1980. By Order of the Board, N. E. FURLONG, Director.

### IN THE MATTER OF THE COMPANIES ACT, 1948

AND IN THE MATTER OF OAK HOUSE FINANCE LIMITED

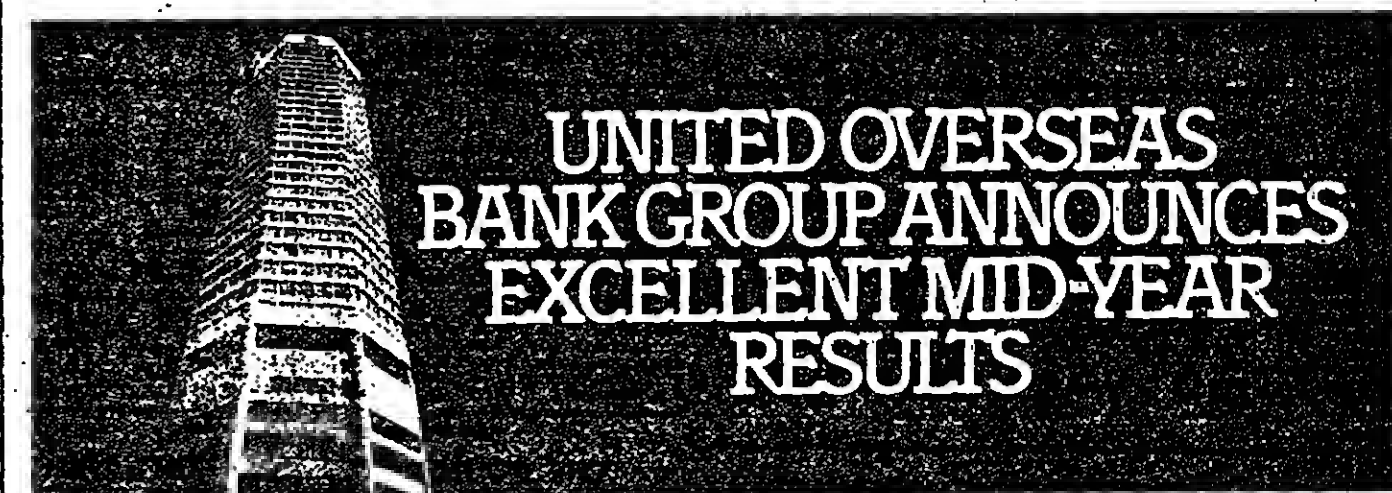
Registered Office: 33 Cliffride Inn, Fetter Lane, London EC4A 1AH

### NOTICE IS HEREBY GIVEN pursuant to Section 293 of the Companies Act, 1948, that a MEETING OF THE CREDITORS OF the above-named Company will be held at 23 GIFFORDS INN, FETTER LANE, LONDON EC4A 1AH on 11th day of the month of September 1980 at 11.15 for the purpose mentioned in Section 294 of the said Act.

Dated this 8th day of September 1980. By Order of the Board, N. E. FURLONG, Director.

### PERSONAL

IN REBATEMENT—Send your tribute in a form that never fades—with a memorial to the memory of a loved one. The Aged, Room F113, 32, Dover Street, London W1 7LZ.



## INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 1980

	Six Months to 30.6.80	Six Months to 30.6.79	Increase
	\$'000	\$'000	\$'000 %
Net Profit Before Tax (after providing for diminution in value of assets and after allocation to contingency reserve)	35,751	23,825	11,926 50.0
United Overseas Bank Group (after deducting amount attributable to minority shareholders)	63,816	41,709	22,107 53.0

**INTERIM DIVIDEND**  
An Interim Dividend of 6% less 40% Singapore Income Tax was declared by the Bank in respect of the financial year ending 31 December 1980 on the issued capital of S\$212,587,747.

**RIGHTS ISSUE**  
A rights issue of one (1) share of S\$1.00 each for every five (5) shares held at a price of S\$3.00 per share based on the Bank's







## OFFSHORE & OVERSEAS FUNDS

Provincial Life Assurance Co. Ltd.			
222 Bishopsgate, E.C2		01-247 6533	
Prov. Managed Fd.	151.5	159.5	+0.8
Prov. Cash Fd.	26.9	27.6	+0.7
Prov. Cash Fd.	136.4	145.8	+0.3
Property Fund	129.8	136.7	+5.2
Intl. Bond Fund	40.0	42.4	+0.2
Intl. Bond Fund	115.5	121.4	
<b>Prudential Assurance Limited</b>			
Norman Bars, EC1N 2NH		01-405 9222	
Equity Fd. Aug. 20	23.46	35.53	
Fixed Inc. Aug. 20	23.26	23.59	
Fixed Inc. Aug. 20	29.73	40.96	
<b>Reliance Mutual</b>			
Timberline Wells, Kent		0892 22271	

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9876	Man. Pen. P. Co. Acc.	122.2	136.4
9877	Man. Pen. P. Co. Acc.	122.2	136.4
9878	Man. Pen. P. Co. Acc.	122.2	136.4
9879	Man. Pen. P. Co. Acc.	122.2	136.4
9880	Man. Pen. P. Co. Acc.	122.2	136.4
9881	Man. Pen. P. Co. Acc.	122.2	136.4
9882	Man. Pen. P. Co. Acc.	122.2	136.4
9883	Man. Pen. P. Co. Acc.	122.2	136.4
9884	Man. Pen. P. Co. Acc.	122.2	136.4
9885	Man. Pen. P. Co. Acc.	122.2	136.4
9886	Man. Pen. P. Co. Acc.	122.2	136.4
9887	Man. Pen. P. Co. Acc.	122.2	136.4
9888	Man. Pen. P. Co. Acc.	122.2	136.4
9889	Man. Pen. P. Co. Acc.	122.2	136.4
9890	Man. Pen. P. Co. Acc.	122.2	136.4
9891	Man. Pen. P. Co. Acc.	122.2	136.4
9892	Man. Pen. P. Co. Acc.	122.2	136.4
9893	Man. Pen. P. Co. Acc.	122.2	136.4
9894	Man. Pen. P. Co. Acc.	122.2	136.4
9895	Man. Pen. P. Co. Acc.	122.2	136.4
9896	Man. Pen. P. Co. Acc.	122.2	136.4
9897	Man. Pen. P. Co. Acc.	122.2	136.4
9898	Man. Pen. P. Co. Acc.	122.2	136.4
9899	Man. Pen. P. Co. Acc.	122.2	136.4
9900	Man. Pen. P. Co. Acc.	122.2	136.4

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Assicurazioni GENERALI S.p.A.		
117, Fenchurch St., EC3M 5DY.		01
Ind. Managed Bond.....	1122	118.1
General Portfolio Life Ins. C. L.		
Crabtree St., Chesham, Herts.		Waltham
Portfolio Fd. Acc.....	168.8	
Portfolio Fd. Int.....	158.4	
Portfolio Man. Acc.....	47.4	49.9
Portfolio Man. Int.....	45.4	47.8
Gresham Life Ass. Soc. Ltd.		
2 Palmer of Wales Rd., R'mouth.		02

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## INDUSTRIALS—Continued

Stock	Price	Vol	High	Low	Open	Close	Change
Am. Can. Co.	100	100	100	100	100	100	0
Am. Oil & Gas	100	100	100	100	100	100	0
Am. Tobacco	100	100	100	100	100	100	0
Am. Wire & Cable	100	100	100	100	100	100	0
Am. Zinc & Lead	100	100	100	100	100	100	0
Am. Iron & Steel	100	100	100	100	100	100	0
Am. Lumber	100	100	100	100	100	100	0
Am. Paper	100	100	100	100	100	100	0
Am. Textiles	100	100	100	100	100	100	0
Am. Chemicals	100	100	100	100	100	100	0
Am. Machinery	100	100	100	100	100	100	0
Am. Electric	100	100	100	100	100	100	0
Am. Transportation	100	100	100	100	100	100	0
Am. Miscellaneous	100	100	100	100	100	100	0

## INSURANCE—Continued

Stock	Price	Vol	High	Low	Open	Close	Change
Am. Life	100	100	100	100	100	100	0
Am. Fire	100	100	100	100	100	100	0
Am. Marine	100	100	100	100	100	100	0
Am. Accident	100	100	100	100	100	100	0
Am. Health	100	100	100	100	100	100	0
Am. Life Insurance	100	100	100	100	100	100	0
Am. Fire Insurance	100	100	100	100	100	100	0
Am. Marine Insurance	100	100	100	100	100	100	0
Am. Accident Insurance	100	100	100	100	100	100	0
Am. Health Insurance	100	100	100	100	100	100	0

## PROPERTY—Continued

Stock	Price	Vol	High	Low	Open	Close	Change
Am. Real Estate	100	100	100	100	100	100	0
Am. Land	100	100	100	100	100	100	0
Am. Buildings	100	100	100	100	100	100	0
Am. Infrastructure	100	100	100	100	100	100	0
Am. Utilities	100	100	100	100	100	100	0
Am. Transportation	100	100	100	100	100	100	0
Am. Miscellaneous	100	100	100	100	100	100	0

## INVESTMENT TRUSTS—Cont.

Stock	Price	Vol	High	Low	Open	Close	Change
Am. Investment	100	100	100	100	100	100	0
Am. Real Estate	100	100	100	100	100	100	0
Am. Land	100	100	100	100	100	100	0
Am. Buildings	100	100	100	100	100	100	0
Am. Infrastructure	100	100	100	100	100	100	0
Am. Utilities	100	100	100	100	100	100	0
Am. Transportation	100	100	100	100	100	100	0
Am. Miscellaneous	100	100	100	100	100	100	0

## FINANCE, LAND—Continued

Stock	Price	Vol	High	Low	Open	Close	Change
Am. Finance	100	100	100	100	100	100	0
Am. Land	100	100	100	100	100	100	0
Am. Buildings	100	100	100	100	100	100	0
Am. Infrastructure	100	100	100	100	100	100	0
Am. Utilities	100	100	100	100	100	100	0
Am. Transportation	100	100	100	100	100	100	0
Am. Miscellaneous	100	100	100	100	100	100	0

## MINES—Continued

Stock	Price	Vol	High	Low	Open	Close	Change
Am. Mines	100	100	100	100	100	100	0
Am. Land	100	100	100	100	100	100	0
Am. Buildings	100	100	100	100	100	100	0
Am. Infrastructure	100	100	100	100	100	100	0
Am. Utilities	100	100	100	100	100	100	0
Am. Transportation	100	100	100	100	100	100	0
Am. Miscellaneous	100	100	100	100	100	100	0

## LEISURE

Stock	Price	Vol	High	Low	Open	Close	Change
Am. Leisure	100	100	100	100	100	100	0
Am. Land	100	100	100	100	100	100	0
Am. Buildings	100	100	100	100	100	100	0
Am. Infrastructure	100	100	100	100	100	100	0
Am. Utilities	100	100	100	100	100	100	0
Am. Transportation	100	100	100	100	100	100	0
Am. Miscellaneous	100	100	100	100	100	100	0

## MOTORS, AIRCRAFT TRADES

Stock	Price	Vol	High	Low	Open	Close	Change
Am. Motors	100	100	100	100	100	100	0
Am. Aircraft	100	100	100	100	100	100	0
Am. Land	100	100	100	100	100	100	0
Am. Buildings	100	100	100	100	100	100	0
Am. Infrastructure	100	100	100	100	100	100	0
Am. Utilities	100	100	100	100	100	100	0
Am. Transportation	100	100	100	100	100	100	0
Am. Miscellaneous	100	100	100	100	100	100	0

## SHIPPING

Stock	Price	Vol	High	Low	Open	Close	Change
Am. Shipping	100	100	100	100	100	100	0
Am. Land	100	100	100	100	100	100	0
Am. Buildings	100	100	100	100	100	100	0
Am. Infrastructure	100	100	100	100	100	100	0
Am. Utilities	100	100	100	100	100	100	0
Am. Transportation	100	100	100	100	100	100	0
Am. Miscellaneous	100	100	100	100	100	100	0

## SHOES AND LEATHER

Stock	Price	Vol	High	Low	Open	Close	Change
Am. Shoes	100	100	100	100	100	100	0
Am. Leather	100	100	100	100	100	100	0
Am. Land	100	100	100	100	100	100	0
Am. Buildings	100	100	100	100	100	100	0
Am. Infrastructure	100	100	100	100	100	100	0
Am. Utilities	100	100	100	100	100	100	0
Am. Transportation	100	100	100	100	100	100	0
Am. Miscellaneous	100	100	100	100	100	100	0

## SOUTH AFRICANS

Stock	Price	Vol	High	Low	Open	Close	Change
Am. South Africans	100	100	100	100	100	100	0
Am. Land	100	100	100	100	100	100	0
Am. Buildings	100	100	100	100	100	100	0
Am. Infrastructure	100	100	100	100	100	100	0
Am. Utilities	100	100	100	100	100	100	0
Am. Transportation	100	100	100	100	100	100	0
Am. Miscellaneous	100	100	100	100	100	100	0

## TEXTILES

Stock	Price	Vol	High	Low	Open	Close	Change
Am. Textiles	100	100	100	100	100	100	0
Am. Land	100	100	100	100	100	100	0
Am. Buildings	100	100	100	100	100	100	0
Am. Infrastructure	100	100	100	100	100	100	0
Am. Utilities	100	100	100	100	100	100	0
Am. Transportation	100	100	100	100	100	100	0
Am. Miscellaneous	100	100	100	100	100	100	0

## NEWSPAPERS, PUBLISHERS

Stock	Price	Vol	High	Low	Open	Close	Change
Am. Newspapers	100	100	100	100	100	100	0
Am. Publishers	100	100	100	100	100	100	0
Am. Land	100	100	100	100	100	100	0
Am. Buildings	100	100	100	100	100	100	0
Am. Infrastructure	100	100	100	100	100	100	0
Am. Utilities	100	100	100	100	100	100	0
Am. Transportation	100	100	100	100	100	100	0
Am. Miscellaneous	100	100	100	100	100	100	0

## PAPER, PRINTING ADVERTISING

Stock	Price	Vol	High	Low	Open	Close	Change
Am. Paper	100	100	100	100	100	100	0
Am. Printing	100	100	100	100	100	100	0
Am. Advertising	100	100	100	100	100	100	0
Am. Land	100	100	100	100	100	100	0
Am. Buildings	100	100	100	100	100	100	0
Am. Infrastructure	100	100	100	100	100	100	0
Am. Utilities	100	100	100	100	100	100	0
Am. Transportation	100	100	100	100	100	100	0
Am. Miscellaneous	100	100	100	100	100	100	0

## TOBACCO

Stock	Price	Vol	High	Low	Open	Close	Change
Am. Tobacco	100	100	100	100	100	100	0
Am. Land	100	100	100	100	100	100	0
Am. Buildings	100	100	100	100	100	100	0
Am. Infrastructure	100	100	100	100	100	100	0
Am. Utilities	100	100	100	100	100	100	0
Am. Transportation	100	100	100	100	100	100	0
Am. Miscellaneous	100	100	100	100	100	100	0

## TRUSTS, FINANCE, LAND

Stock	Price	Vol	High	Low	Open	Close	Change
Am. Trusts	100	100	100	100	100	100	0
Am. Finance	100	100	100	100	100	100	0
Am. Land	100	100	100	100	100	100	0
Am. Buildings	100	100	100	100	100	100	0
Am. Infrastructure	100	100	100	100	100	100	0
Am. Utilities	100	100	100	100	100	100	0
Am. Transportation	100	100	100	100	100	100	0
Am. Miscellaneous	100	100	100	100	100	100	0

## PROPERTY

Stock	Price	Vol	High	Low	Open	Close	Change
Am. Property	100	100	100	100	100	100	0
Am. Land	100	100	100	100	100	100	0
Am. Buildings	100	100	100	100	100	100	0
Am. Infrastructure	100	100	100	100	100	100	0
Am. Utilities	100	100	100	100	100	100	0
Am. Transportation	100	100	100	100	100	100	0
Am. Miscellaneous	100	100	100	100	100	100	0

## INSURANCE

Stock	Price	Vol	High	Low	Open	Close	Change
Am. Insurance	100	100	100	100	100	100	0
Am. Land	100	100	100	100	100	100	0
Am. Buildings	100	100	100	100	100	100	0
Am. Infrastructure	100	100	100	100	100	100	0
Am. Utilities	100	100	100	100	100	100	0
Am. Transportation	100	100	100	100	100	100	0
Am. Miscellaneous	100	100	100	100	100	100	0



## MINE—Continued

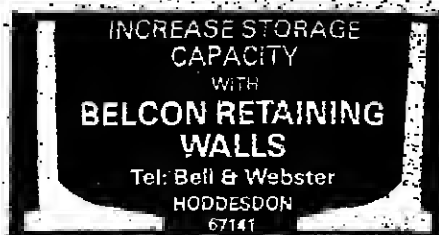
Australian									
Weekend	High	Low	Stock	Price	Vol	High	Low	Open	Close
33.6	29.9		Agnes Stock	22	12				
33.6	29.9		AGM 200	122	12				
33.6	29.9		AGM 200	122	12				
33.6	29.9		AGM 200	122	12				
33.6	29.9		AGM 200	122	12				
33.6	29.9		AGM 200	122	12				
33.6	29.9		AGM 200	122	12				
33.6	29.9		AGM 200	122	12				
33.6	29.9		AGM 200	122	12				
33.6	29.9		AGM 200	122	12				
33.6	29.9		AGM 200	122	12				
33.6	29.9		AGM 200	122	12				
33.6	29.9		AGM 200	122	12				
33.6	29.9		AGM 200	122	12				
33.6	29.9		AGM 200	122	12				
33.6	29.9		AGM 200	122	12				
33.6	29.9		AGM 200	122	12				
33.6	29.9		AGM 200	122	12				
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33.6	29.9		AGM 200	122	12				
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33.6	29.9		AGM 200	122	12				
33.6	29.9		AGM 200	122	12				
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33.6	29.9		AGM 200	122	12				
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33.6	29.9		AGM 200	122	12				
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33.6	29.9		AGM 200	122	12				
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# FINANCIAL TIMES

Monday September 15 1980



GENERAL INCREASE UNLIKELY AT OPEC MEETING

## Oil price indexing proposed

BY MARTIN DICKSON AND RICHARD JOHNS IN VIENNA

PROSPECTS APPEARED good last night for agreement by the Organisation of Petroleum Exporting Countries on a long-term strategy which would increase oil prices gradually. But OPEC Ministers arriving in Vienna stressed that no immediate general price rise would follow their meeting here.

The only country likely to raise its price is Saudi Arabia — which produces about one-third of OPEC's output — to bring it into line with other member-countries as part of a compromise deal on long-term strategy.

Saudi Arabia is currently selling its oil at \$28 (£11.67) a barrel, compared with the official ceiling of \$32 a barrel fixed for its light "marker" crude at the Algiers meeting in June.

Mr. Tayeh Abdul-Karim,

Iraq's Oil Minister, said on arrival that Saudi Arabia would announce its price rise in the next few days and possibly also a cut in production.

A critical factor in any compromise agreement will be the Saudis' willingness to raise its oil prices and lower production. With a glut of crude oil on the international market, other OPEC nations are anxious for Saudi Arabia to decrease its production from 9.5m barrels—one-third of OPEC's total output—to 5.5m barrels a day.

Saudi Arabia, which has been keeping production at 9.5m b/d in an attempt to force a more united OPEC front, will also be expected to raise the price of its oil from \$28 to \$32—a move which would bring it into line with agreed OPEC prices.

This would be done either in the last quarter of this year or

at the beginning of 1981, possibly in two stages.

The conference will consider a report on proposed long-term strategy, thrashed out over the past two years by a six-nation committee under the chairmanship of Sheikh Ahmad Zaki Yamani, the Saudi Oil Minister. However, it was clear last night that complete agreement on the package is not a foregone conclusion, as some militant delegations still have considerable reservations.

Key features of the scheme are the indexing of oil prices, which would be adjusted quarterly, and the strengthening of OPEC's relations with other developing nations through increased aid grants.

The Vienna meeting brings together the finance, foreign and oil ministers of each of the OPEC countries for only

the second time. This demonstrates the importance to the organisation of reaching a strategy agreement which can then be ratified at the OPEC summit in Baghdad in November.

Indicative of the hard bargaining to be expected over the next two days were the reservations expressed last night by a senior Libyan delegate to details of the proposed oil price indexing. He believed, however, that such problems could be ironed out during the next few days.

Sheikh Yamani is understood to have drawn up a programme of action for implementing the proposals contained in the strategy report, particularly the improvement of dialogue between developing and industrial countries.

Feature, Page 21

## Offer is expected for BSC forge

By Hazel Duffy, Industrial Correspondent

THE British Steel Corporation can expect an approach shortly for its Sheffield forging interests. The interested company is John Folkes Hefo, which operates an open-end forge at Kidderminster, Worcs, and has been responsible for rationalising parts of the industry.

British Steel made it known last year that it wanted to bring the private sector into some of its peripheral activities in order to raise cash. The corporation's preference was for joint venture schemes which would allow it to retain some interest. On this basis, BSC Chemicals and Redpath Dorman Long were put up for sale.

A deal on BSC Chemicals is believed to be close, but discussions with the Dutch company De Groot on extending its interest in RDL (the two companies already have one joint venture) were not successful.

Mr. Ian MacGregor, BSC chairman, is expected to expand on the privatisation policy when he submits to the Government shortly his plan for easing the financial problems of British Steel. The plan will be the result of a wide-ranging review of BSC's activities since Mr. MacGregor assumed office.

BSC's forging activities are on a much smaller scale than some of its other peripheral involvements. The open-end forge at Sheffield, however, is the largest in the country. BSC forges made a loss of £2m before interest in the past financial year. By contrast, John Folkes Hefo forecasts a profit of £12.5m on its forging interests in the current year.

In February BSC brought the forge, foundries and engineering interests into a separate profit centre in an attempt to increase their profitability. But the forging activities are believed to be operating at much below capacity.

There are only five open-end forges left in the UK as a result of considerable rationalisation in the industry. One of these, operated by Firth Brown in Sheffield, recently commissioned a new £12.5m automatic forging machine which is the largest of its kind in the world.

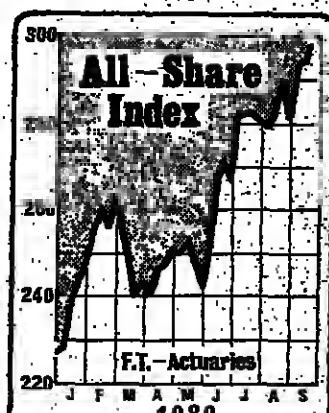
John Folkes Hefo last year acquired the plant and goodwill of Park Webb Forgings from Dobson Park Industries. The plant has been brought to Kidderminster and is being installed over a two-year period. It is likely that a similar deal will be put to British Steel next month.

In the event of a deal, John Folkes Hefo would also be prepared to buy all its steel ingots, worth £4m annually, from British Steel.

Further redundancies likely at Corby, Page 4

THE LEX COLUMN

## Equities ignore the bad news



To anybody outside the stock market (and to a good many of those within it) the current strength of the market must seem perverse. The FT Actuaries All-Share Index now stands within a whisker of the 300 level, and has been hitting new all-time highs almost every day. So far in 1980 this index has put on just over a third. Yet this is at a time of unprecedented squeeze upon British industry, the extent of which is now being grimly demonstrated as companies report their figures for the first half of the year. This week it is Guest Keen and Nettelfolds turn: some analysts think that its historic cost profits could be down by two-fifths or more. And most of the companies which have already reported serious profit setbacks, have been unable to forecast any early improvement.

The strength of British equities, however, should not be viewed in isolation. Major securities markets around the world are also in a strongly bullish phase. In New York the Standard and Poors Industrials index has risen by 25 per cent since the end of July, and remains close to its highest-ever point, reached early this month. The Tokyo New Index is also at a peak, largely reflecting the influx of foreign investment; the same applies to Australia, and Canada. The buoyancy is not confined just to equities, for gold and the other precious metals have entered into a new upswing—in contrast to the old stock market rule that the forces which move gold up also push equities down, and vice versa.

There is a clear connection between this worldwide chase for financial assets and the huge institutional surpluses of cash which are building up, especially in the wealthy oil-producing states. They have had a rough time with their dollar bond portfolios, and are seeking to diversify. The activities of the Kuwaitis in the UK and the Saudis in the US are only unusual in that in several cases, such as the Hay's Wharf purchase, they are on public record. At the same time the U.S. pension funds, snubbed by the weakness of the dollar, are taking international diversification much more seriously than they ever did.

Inevitably the UK securities markets are being strongly influenced by these international trends—as has become evident in the strong foreign buying of gilt-edged this summer. But there is no denying, however, that there are strong bullish undercurrents at work in the market. Typically, bad news is brushed aside—or at least not fully reflected in share prices—whereas relatively minor items of good news like Friday's surprisingly modest advance in

the retail price index are seized on as excuses for further gains. It is only just over two weeks since ICI unveiled results that were worse than the gloomiest predictions, but the share price has more than recovered from the shock. However, perhaps fund managers may be less much less exposed in this equity market than out of it.

Now that foreign investors, particularly Americans, are becoming increasingly active in the Paris Bourse, the authorities are having another try at simplifying the confusing system whereby the 287 most important equities are traded on, as forward settlement (a *terme*) basis as well as spot (comptant). Smaller and overseas issues are traded on a spot basis only.

An earlier attempt to reform the system prior to the 1977 presidential election was abandoned when the Left coalition demanded the abolition of the *marché à terme* altogether, on the grounds that it existed only for sophisticated speculators, and that its operation was too complicated for ordinary investors to understand. The current proposals, put forward by their agents *de change*, the Government-appointed brokers who have a monopoly over all dealings in stocks and shares—call instead for the abolition of trading on the spot market in the shares of large companies, and for the expansion of the *marché à terme* by about 100 names.

The minimum transaction on the *marché à terme*, now 10,000 francs, would be reduced to 4,000 so that smaller investors, who now deal mainly in the spot market, could still buy major issues easily. They would also be able to buy even smaller amounts for cash if they wished, but at the cost of a significant increase in brokerage fees.

The Bourse authorities acknowledge that the proposed reform is part of an attempt to "internationalise" the Paris market. They are also studying the feasibility of introducing a traded options market in about 10 leading equities.

The proposed simplification of the trading system faces no apparent opposition, and is expected to be endorsed quickly by the Bourse's regulatory authority, the Commission des Opérations de Bourse, and the Ministry of Industry, and to be implemented within six months. With the Left in disarray, no one seems worried that the reform could yet again become the victim of a presidential election campaign next spring.

## CBI to attack economic policies

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

BRITAIN's leading industrialists are preparing the ground for an unprecedented attack on the Government's economic policies when the Confederation of British Industry holds its fourth annual conference in eight weeks' time.

Resolutions already submitted to the CBI's conference headquarters show that industrialists are becoming deeply concerned about long term damage to the country's industrial base by high interest rates, rising energy costs, and the level of local authority spending.

This was spelled to the Prime Minister last Friday by Sir Ray Fensholt, CBI president, and will be repeated on Wednesday at the confederation's monthly council meeting.

Sir Ray and his colleagues are anxious to stress that they still

support the Government's basic stance and this is emphasised in the conference resolutions.

But the conference debates, which take place in Brighton on November 10 and 11, will provide considerable embarrassment for the Government unless industry worries are allayed in advance by a reduction in interest rates, a significant drop in the level of sterling, or some other concessions.

More than 100 resolutions have been submitted so far by individual companies, trade federations and CBI area organisations. Those which are to be debated will be selected by the CBI's president's committee within a few weeks.

Although some will be ignored, those chosen will indicate the spread of views among CBI members.

Critical resolutions on the economy include one from the London and Northern Group which questions whether high interest rates can halt inflation "without serious and lasting damage to the economy."

The CBI's Yorkshire and Humberside regional council "draws attention to the damage being done to the country's industrial and commercial base," while Delta Metal says it is concerned about the "major problems and damage" being done to

the Government has shown "inflexibility" in allocating regional aid to areas hit by the rundown of a single dominant industry. By the standards of political and trade union conferences, these resolutions are mildly worded. But they illustrate underlying restiveness in all areas of the country and in all sizes of companies.

Local authorities are openly criticised for over-spending, and the Government is also asked to change its energy policies, using North Sea oil revenues to offset high energy costs.

More help is requested for small businesses while, on international affairs, reservations about the EEC are aired, along with calls for action to stop unfair trade practices and excessive imports from Japan.

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## Callaghan backed by engineers

By John Lloyd, Labour Correspondent

THE FUTURE of the three major changes to the Labour Party's constitution, the centre-piece of the Left-Right debate at the party conference in two weeks' time, now hangs on a fine balance.

The Amalgamated Union of Engineering Workers, as expected, will throw its 900,000 conference votes behind Mr. James Callaghan's right to defeat the changes after the union's national committee voted by 23 to 24 to mandate its delegation to vote against the reform.

The AUEW had voted for two of the reforms at last year's conference. It is the second biggest union to the Transport and General Workers Union, which affiliates 1.25m members to the Labour Party and is expected to support the reforms.

Mr. Terry Duffy, the AUEW's president, said yesterday that the national committee's decision "augurs well for Jim Callaghan."

"All this disunity that emanates from the national executive committee (of the Labour Party) must be stopped. We contribute to the Labour Party both physically and financially and we do not want a party condemned to permanent opposition," he said.

However, a survey of the other major unions suggests that even with this large swing to Mr. Callaghan's side there is no guarantee that he will win on all three issues.

The three changes, which the Left-wing of the party wishes to be made, are: the mandatory re-election of MPs, the election of party leader by conference, and the drafting of the manifesto by the NEC.

An analysis in the latest issue of Labour Weekly, the party newspaper, shows that the unions' block vote would defeat the plan for the conference to elect the leader by more than 1m votes, a majority which the 500,000-600,000 constituency party votes could not alter.

## Move to change ship flag rules

BY WILLIAM HALL, SHIPPING CORRESPONDENT

THIRD WORLD countries have made substantial progress in their efforts to phase out flags of convenience (FOCs) from the high seas and to double their share of the world's shipping fleet over the next decade.

At the end of the ninth session of the Committee on Shipping of the United Nations Conference on Trade and Development (UNCTAD) in Geneva last week it was agreed that the next session of the Committee would be brought forward and that it should be devoted solely to debating flags of convenience.

In the meantime, a special study group examining barriers to entry into the bulk trades is to be established.

This is a major setback for a number of countries, including the U.S. and Greece, which have a large number of ships registered under flags of convenience.

The credibility of flags of convenience has come under increasing attack over the last

year and the unexpected resignation of the respected Liberian Commissioner for Maritime Affairs, Gerald Cooper, at the end of the ninth session of the Committee on Shipping, which he attended, will only add to the controversy.

Mr. Cooper has recently spent several months travelling the world trying to reassure ship-owners that his country's maritime policies remain unchanged following the coup earlier this year. He said he had resigned for "reasons of conflict of principles" and for his own personal future interest.

Mr. Adib Al-Jadir, head of UNCTAD's shipping division, told the urgency of finding a solution to the flag of convenience problem has been "increased by a number of alarming incidents involving shipwrecks, scuttling of vessels, maritime fraud, breaking of United Nations embargo against shipment of oil to South Africa,

and environmental disasters."

He stressed that these recent incidents underlined the problems of enforcing the law when ships had no more than a nominal connection with their country of registry.

There are a number of tax and cost advantages (plus anonymity) associated with registering ships under flags of convenience, and as a result the fleets of major FOC countries, such as Panama and Liberia, have been growing rapidly and now account for a third of the world shipping fleet.

The developing countries in the Group of 77 have under 10 per cent of the world shipping fleet and argue that the growth of FOC fleets has been at their expense.

With the exception of Panama and Liberia, the developing countries want flags of convenience to be phased out and replaced by a "genuine link" between a vessel and the flag it flies.

## Accept Iran terms, Reagan urges

BY DAVID BUCHAN IN WASHINGTON

THE U.S. "can and should agree to three of the four conditions listed by the Ayatollah Khomeini on Friday for the release of the American hostages," said Mr. Ronald Reagan, the Presidential Republican candidate.

The Republican presidential contender said the U.S. Government could unfreeze Iran's financial assets, cancel compensation claims against Iran and promise not to interfere in its internal affairs. But the Ayatollah's fourth demand—return of the late Shah's property—was for U.S. courts to determine, Mr. Reagan told a weekend campaign meeting.

This has roughly been the Carter Administration's line in private and the State Department is now pursuing diplomatic contacts with the Tehran government. But Mr. Reagan clearly hoped to gain a little political capital by uttering it in public.

Mr. Reagan made it clear he differed little with the Administration, when he warned Iranian leaders not to delay in hope of a better terms from a post-November Republican Administration.

State Department officials, analysing the full text of the Ayatollah's statement, cautioned that the elderly religious leader may have accidentally omitted his previous insistence on a U.S. apology for past action.

The tone of the Ayatollah's speech was as anti-American as ever, and included the charge that the U.S. was behind Iraq's recent skirmishes with Iran.

Patrick Worsnip reports from Tehran: Iran's Majlis (Parliament) today began to address itself to the emotive issue of the American hostages but there was still no firm date for the start of a debate on their future.

The debate was brought

closer, however, when the Majlis decided to discuss on Tuesday a report by its Foreign Affairs Commission recommending that the hostage issue be considered in an open session of the House.

Iran's President and Prime Minister escaped unscathed when an Iraqi MIG fighter fired at their helicopter convoy near the troubled border between the two countries last night, the official Pars News Agency reported today.

President Abolhassan Bani-Sadr and Prime Minister Mohammad Ali Rajai were returning from a reconnaissance flight over the border, where clashes between Iran and Iraq have intensified over the past week.

Following a 12-hour meeting on Saturday, Iran's political and military leaders have decided to "retaliate severely to any further Iraqi attacks," said Mr. Ali Rajai.

## Gold transfers Continued from Page 1

decide to export. They provide no indication of gold purchased by Middle East clients and subsequently held outside the country.

One reason for the fall in Saudi imports might be that wealthy Saudi investors have stepped up their holdings of gold in foreign deposits following the disturbances in Mecca last year.

London bullion dealers report that this type of buying of bullion deposits has increased from Saudi Arabia and other areas of the Middle East this year.

UK customs figures have already shown that Iran has moved 29 tonnes of gold from Britain this year, partly in response to fears that its overseas assets could be frozen as part of western retaliation over the U.S. hostages.

But Iraq has not previously been identified as a major gold investor. Most of its transfers from Switzerland were recorded in the first three months. This was when the other states were less active and a large quantity of Middle East gold from the Lebanon was coming on from the Swiss market, mainly represent-

ing old stocks being sold back to the West during the February/March fall in prices.

It is not certain to what extent the Middle East gold movements represent stockpiling by private investors or additions to official reserves. Few countries in that area provide reliable indications of their bullion reserves. Significantly, the last time that Iraq's gold holdings were published in the reserve statistics compiled by the International Monetary Fund was in 1977.

The low volume of Soviet sales to Zurich—the sole January delivery amounted to 5 tonnes against 214 tonnes in 1979 and 401 tonnes in 1978—was already well known by the bullion market.

There has been considerable speculation that the Soviet Union has been selling gold through bilateral deals with oil producing countries.

The financing burden for Moscow caused by its efforts to help Poland over its economic difficulties may make a resumption of Soviet sales likely towards the end of the year, bullion dealers suggest.

## Weather

**UK TODAY**  
MAINLY cloudy, some rain and sunny periods.  
London, S.E., Midlands, E. England  
Mainly dry, sunny periods developing. Max. 22C (72F).  
W. England, Wales, Channel Isles  
Cloudy, some sun. Max. 20C (68F).  
N. Ireland, Isle of Man, N.W. England, S.W. Scotland  
Cloudy, heavy rain at times. Max. 17C (63F).  
N.E. England, Rest of Scotland  
Sunny intervals, some rain. Max. 17C (63F).  
**OUTLOOK:** Changeable, drier and warmer to south.

### WORLDWIDE

Y'day	Today	Y'day	Today
midday	midday	midday	midday
Algeria S 24 75	L. Pims. S 13 84	Algeria S 24 75	L. Pims. S 13 84
Algiers S 24 75	London F 22 72	Algiers S 24 75	London F 22 72
Amman S 27 81	Luxemb. F 13 55	Amman S 27 81	Luxemb. F 13 55
Antwerp S 27 81	Madrid S 27 81	Antwerp S 27 81	Madrid S 27 81
Bahia S 27 81	Manila S 27 81	Bahia S 27 81	Manila S 27 81
Batavia S 27 81	Moscow S 27 81	Batavia S 27 81	Moscow S 27 81
Bombay S 27 81	Munich S 27 81	Bombay S 27 81	Munich S 27 81
Buenos Aires S 27 81	Nairobi S 27 81	Buenos Aires S 27 81	Nairobi S 27 81
Calcutta S 27 81	Paris S 27 81	Calcutta S 27 81	Paris S 27 81
Canton S 27 81	Rangoon S 27 81	Canton S 27 81	Rangoon S 27 81
Cebu S 27 81	Reykjavik S 27 81	Cebu S 27 81	Reykjavik S 27 81
Colon S 27 81	Rome S 27 81	Colon S 27 81	Rome S 27 81
Dacca S 27 81	Sao Paulo S 27 81	Dacca S 27 81	Sao Paulo S 27 81
Dahomey S 27 81	Shanghai S 27 81	Dahomey S 27 81	Shanghai S 27 81
Dar es Salaam S 27 81	Singapore S 27 81	Dar es Salaam S 27 81	Singapore S 27 81
Delhi S 27 81	Stockholm S 27 81	Delhi S 27 81	Stockholm S 27 81
Dhaka S 27 81	Sydney S 27 81	Dhaka S 27 81	Sydney S 27 81
Dublin S 27 81	Taipei S 27 81	Dublin S 27 81	Taipei S 27 81
Frankfurt S 27 81	Tokyo S 27 81	Frankfurt S 27 81	Tokyo S 27 81
Geneva S 27 81	Tunis S 27 81	Geneva S 27 81	Tunis S 27 81
Hankow S 27 81	Warsaw S 27 81	Hankow S 27 81	Warsaw S 27 81
Hong Kong S 27 81	Wellington S 27 81	Hong Kong S 27 81	Wellington S 27 81
Hyderabad S 27 81	Yokohama S 27 81	Hyderabad S 27 81	Yokohama S 27 81
Istanbul S 27 81		Istanbul S 27 81	
Jakarta S 27 81		Jakarta S 27 81	
Johannesburg S 27 81		Johannesburg S 27 81	
Kobe S 27 81		Kobe S 27 81	
Kuala Lumpur S 27 81		Kuala Lumpur S 27 81	
London S 27 81		London S 27 81	
Lyons S 27 81		Lyons S 27 81	
Manila S 27 81		Manila S 27 81	
Medan S 27 81		Medan S 27 81	
Mexico City S 27 81		Mexico City S 27 81	
Mombasa S 27 81		Mombasa S 27 81	
Moscow S 27 81		Moscow S 27 81	
Mumbai S 27 81		Mumbai S 27 81	
Nairobi S 27 81		Nairobi S 27 81	
Paris S 27 81		Paris S 27 81	
Rangoon S 27 81		Rangoon S 27 81	
Reykjavik S 27 81		Reykjavik S 27 81	
Rome S 27 81		Rome S 27 81	
Sao Paulo S 27 81		Sao Paulo S 27 81	
Shanghai S 27 81		Shanghai S 27 81	
Singapore S 27 81		Singapore S 27 81	
Stockholm S 27 81		Stockholm S 27 81	
Sydney S 27 81		Sydney S 27 81	
Taipei S 27 81		Taipei S 27 81	
Tokyo S 27 81		Tokyo S 27 81	
Tunis S 27 81		Tunis S 27 81	
Warsaw S 27 81		Warsaw S 27 81	
Wellington S 27 81		Wellington S 27 81	
Yokohama S 27 81		Yokohama S 27 81	

—Cloudy, —Fair, —Fog, —Rain, —Sunny, —St—Sleet, —Sn—Snow.

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